

25 August 2025

## DRURY ECONOMIC REVIEW RESPONSE:

Without addressing all the various comments in the review there are a number of high-level criticisms of the economic assessment undertaken for the Drury Fast Track proposal. These form the basis for much of the detailed discussion outlined in the review. Including:

1. The use of the Economic Impact Assessment (EIA) as opposed to a Cost Benefit Assessment (CBA) to meet the purpose of the Fast Track Approvals Act (FTAA)
2. The limitations of an EIA – specifically utilising IO modelling
3. The absence of a counterfactual position
4. Specific inclusions or exclusions of costs (overstating benefits) - specifically the treatment of employment
5. The overall measure of regional significance

## RESPONSE:

### 6. Use of EIA in place of CBA

A CBA can be a useful tool for infrastructure providers when assessing the efficient allocation of resources and the ranking of development options, but it has limited usefulness and appropriateness when assessing resource consent applications for development projects under either RMA or FTAA given the factors discussed below.

The FTAA requires identification of significant regional or national benefits (see sections 3 and 81) and consideration of whether the adverse impacts of the project are “*sufficiently significant to be out of proportion to the project’s regional or national benefits*” (section 85). There is no explicit requirement in the FTAA to carry out a CBA for a project, which is consistent with the obligations in RMA in respect of resource consent applications.

While quantification of the regional or national benefits involves an economic or financial assessment, we understand that the proportionality test is essentially a planning judgment that will ultimately be determined by the panel.

That is because the proportionality test requires value judgments as to the relative importance (or value) of the adverse impacts. While there are ways of ascribing financial values to adverse effects, none of those methodologies remove the inherently subjective nature of such judgments.

While all modelling approaches have limitations the EIA<sup>1</sup> undertaken for Drury's illustrates the level of economic activity that this development would result in. This level of significant economic activity is then weighed by Kiwi Property's planners against the potential adverse impacts outlined in the various other reports.

There are a number of reasons why it is considered unnecessary and inappropriate to undertake a CBA as requested in the Council's review:

- a) The FTAA process allows for consideration of other (primarily non-economic) costs to be weighed and considered by the Panel. Given the subjective nature of the assessment of adverse impacts, a CBA cannot replace or usefully inform that evaluation.
- b) A CBA, as outlined, is expensive, complicated and requires assumptions regarding the monetarisation of non-financial matters (e.g.: ecological or amenity effects) that would render the results difficult to compare.
- c) A requirement for a CBA on a fast track application would impose a stricter obligation than is currently required for resource consent applications under the RMA (which, unlike proposed plan changes, do not require a CBA)..
- d) When considering the regional economic benefit, or social benefit the FTAA does not explicitly identify economic efficiency but does state that the assessment as a whole will consider the potential adverse effects of the proposal which are, in part, weighed against the economic impacts.

As identified in the review, CBAs are routinely used by both Treasury and NZTA. The purpose of such CBA's is different to the evaluation required under section 85 FTAA, however. These CBA's typically help government bodies make investment or policy decisions and involve choices between different options (e.g.: roading or policy options). Provided a

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<sup>1</sup> It is important to note that the economic assessment for Drury goes beyond the simple EIA and identifies some qualitative costs and benefits for consideration.

consistent approach is adopted to the potential downsides of each option, the CBA process enables a decision to be made as to which of the competing proposals is best. In contrast, section 85 requires a judgment as to whether an individual proposal should be upheld or declined consent. Having undertaken assessments for NZTA, including Fast Track applications, we consider there are clear reasons for adopting this approach in those cases, including, but not limited to, the expenditure of limited public funds or resources. In the case of Drury Metropolitan Centre infrastructure resourcing should be responsive to demand. The objectives of the FTAA are unique and allow for the distribution and relativity of qualitative costs to be weighed by the Panel against the level of economic activity generated.

## **7. Limitations of IO modelling.**

As identified above, modelling itself is inherently limited by the information available and the assumptions made. Additionally, models, including CBAs are limited in generally providing static equilibriums and tendency to understate non-market values in dynamic markets.

Having said this, however, we consider that the extent of some of the limitations identified in the review are overstated. While supply constraints are recognised in the assessment undertaken, they are temporal based on the economy of the time. A key reason for the initial Fast Track process was the need to encourage early development and construction activity within the sectors most affected following the Covid period.

This along with a number of other macroeconomic effects have meant an assumption of underutilisation of resource within the modelling (such as labour, noting that unemployment for the Auckland Region as of June 2025 quarter is 6.1% which is the country's highest) is a valid response.

## **8. A counterfactual position:**

There are 3 approaches to this issue including:

- a) Site based: What alternative activity could occur on the site and what would be that activity's economic significance?
- b) Activity based: Can the proposed activity occur elsewhere and, if so, what would be the economic significance of that occurring?

- c) Timing based: At what other time might the proposed activity occur and what would be the economic consequence of delaying commencement of the activity?

Given that the subject site has a Metropolitan Centre zoning which enables the full range of activities proposed as part of the project, there is no other use to which the land could more efficiently or appropriately be put. There is therefore no realistic counterfactual involving a different use of the land.

Given that the scale and nature of activities enabled on that land is only anticipated in the City Centre and Metropolitan Centre zones, and the other 10 Metropolitan Centre zones in the city are already developed, there is no realistic counterfactual involving relocating the proposal.

The Metropolitan Centre zone enables the immediate full development of the Drury Centre subject to traffic issues being addressed appropriately, which is a matter that the panel will assess through the current process. We consider that there is no realistic counterfactual involving delaying the development given that central government promoted the FTAA to facilitate early consenting and development of major projects to support economic growth. The proposal will either be granted consent as sought, granted consent subject to conditions that alter the traffic triggers, or declined.

In terms of process, the FTAA seeks to identify the economic significance of the project or proposal rather than the economic significance of the Fast Track process itself. This is considered appropriate given the uncertainty of timing around other outcomes.

## 9. Specific exclusions/inclusions

While not addressing each of the various costs and benefits here, we stand by those identified in the report. A key benefit identified in the Fast Track application report is the generation of employment through construction and development. The review identifies that this is likely to be a zero-sum gain, as employment generated here will simply be a redistribution of activity. We disagree. Our understanding is that one of the factors that supported passage of the FTAA in Parliament was a concern that the construction sector is currently underemployed, so major projects need to be approved and implemented as soon as possible to act as an economic catalyst for the broader economy. As identified above the inclusion of employment generated by the application is a vital consideration in the

economic significance of the project and therefore important in understanding the overall level of significance of the project.

Also, the theory that the development will not result in additional employment fails to consider the both the market in which Auckland has a 6.1% unemployment rate, as well as the dynamic nature of labour markets when jobs are scarce.

#### **10. Regional Significance:**

When considering the Council approach, it is important to have regard for the intended outcome as well as the overall process intended. The approach suggested by Council would not only result in a risk of double counting but would materially impact the potential to reach thresholds of significance.

More broadly, Drury is one of only 11 Metropolitan Centres in Auckland. On average, each of those centres will serve as the sub-regional commercial, employment and entertainment focus for approximately 150,000 residents. In our opinion that illustrates the regional importance of Kiwi Property's investment in the newest Metropolitan Centre zone in the city and the only one that is yet to be developed.

#### **SUMMARY:**

After considering the points raised in the review, Property Economics stands by the approach taken and considers this provides the most appropriate information to evaluate the economic benefits of the applications under the FTAA.

**Phil Osborne / Tim Heath**