

MT MESSENGER BYPASS PROJECT: SUMMARY OF EVIDENCE OF MICHAEL CAMPBELL COPELAND (ECONOMICS) FOR THE NZ TRANSPORT AGENCY

1. The Transport Agency has engaged me to prepare evidence assessing the economic effects of the Project.
2. My evidence considers the economic impact of the Project, including:
 - (a) the costs and benefits associated with the construction of the Project; and
 - (b) the ongoing economic effects of the Project once it is completed.
3. The Transport Agency is progressing a series of improvements to SH3 north of New Plymouth, between Mt Messenger and Awakino Gorge (the SH3 improvements investment package). The Project is the most significant of three sections of route improvements proposed as part of the investment package. It involves the section of corridor in the vicinity of Mt Messenger between Uruti and Ahititi.
4. My evidence principally addresses the economic effects of the Project as a stand-alone project, but it is also important to consider the Project in the context of the total SH3 improvements investment package.
5. The key observations and conclusions of my evidence are:
 - (a) Enabling people and communities to provide for their social, economic and cultural well-being and health and safety, the efficient use and development of natural and physical resources and opportunities for economic growth and employment are relevant considerations under the RMA.
 - (b) The key drivers for the New Plymouth District economy are oil and gas exploration and extraction, manufacturing and services provided to the oil and gas, agriculture and agricultural product processing activities within the wider Taranaki region. The key drivers of the Taranaki economy are agriculture, manufacturing (including agricultural product processing and the heavy engineering industry) and the oil and gas industry.
 - (c) SH3 north of New Plymouth is a significant transport link for Taranaki's oil and gas, heavy engineering and agricultural product processing industries:
 - (i) Oil and Gas Sector: Since shipments by sea transport of LPG to the north of New Plymouth are not now possible due to Auckland's Manukau Harbour no longer being dredged for use by Holcim's cement vessels they must now go by road. SH3 is also important for providing access to the Maui pipeline for repairs and maintenance, while LPG shipments by road via SH3 provide a back-up source of fuel for gas customers in the top half

of the North Island in the event of a Maui pipeline failure. SH3 is also important for transporting a number of the oil and gas sector's inputs into the region, including hazardous chemicals.

- (ii) Heavy Engineering Sector: Some of Taranaki's heavy engineering products are exported out of the region by road transport via SH3. The sector is also reliant on SH3 for transporting inputs into the region. A feature of this industry's inputs and outputs are the number of oversized loads that need to be carried. Improvements to SH3 are expected to enable this route to be used for such loads, increasing local firms' competitiveness with Auckland, Waikato and overseas competitors.
 - (iii) Agriculture Sector: Whilst the bulk of dairy and meat products produced within the Taranaki region are exported by rail, SH3 to the north is still important for some dairy product exports, livestock transportation, poultry exports and inputs to the dairy, meat and poultry production and processing industries.
- (d) During the Project's three year construction period (mid-2018 to mid-2021), there will be additional expenditure, employment and incomes for Taranaki businesses and residents. This includes both direct and indirect (or multiplier) economic impacts. The Project is expected to lead to 148 additional jobs, \$11.0 million per annum in additional wages and salaries and \$66.2 million per annum in additional expenditure on goods and services purchased from local Taranaki businesses.
- (e) When completed, the Project will lead to reductions in vehicle operating, travel time and road accident costs and improvements in route resilience, benefitting local residents and businesses and visitors to the New Plymouth District and wider Taranaki Region. For businesses, savings in vehicle operating, travel time and accident costs and improvements in route resilience result in increased productivity and increased business competitiveness. For residents, the traffic-related benefits of the Project will produce cost savings, improve personal safety and enable the freeing up of time for other productive or leisure activities.
- (f) The Project will also contribute a range of additional economic benefits including:
- (i) Improvements in Trip Time Reliability: Trip time reliability benefits relate to the savings in time that are made when motorists perceive a reduction in the likelihood of delays as a result of road congestion, road accidents or other incidents which lead to variability in travel times for particular journeys. When this occurs time is wasted by allowing for such events even when they do not occur and unproductive time is wasted at the destination. The Project in conjunction with other improvements on SH3

north of New Plymouth is expected to provide improvements in trip time reliability.

- (ii) Increased Regional Economic Growth: The Project will increase the attractiveness of the New Plymouth District and the wider Taranaki region for business and residential development, as well as improve accessibility for visitors. Therefore, the Project is likely to result in increased levels of economic activity within the District and region from greater economic activity and population growth.
- (iii) Generated Traffic: Improvements to the route are likely to generate additional leisure trips by residents and visitors, while greater route resilience and trip time reliability in particular, will improve the competitiveness of Taranaki based businesses and the attractiveness of the region to locate new businesses or expand existing businesses, generating additional traffic benefits.
- (iv) Potential Travel Benefits: Potential travel benefits relate to the benefits to residents and businesses from knowing a trip can be made even when no trip is undertaken. In cases where route resilience and trip time reliability are significantly improved, there are likely to be some potential travel benefits from the Project. There are benefits to businesses and residents from a reduction in feeling isolated even when trips are not undertaken - for example for residents through more reliable road access to Waikato Hospital and Auckland Airport and for businesses from more reliable road access for "just in time" deliveries of spare parts for machinery.
- (v) Specific Road User Benefits for Taranaki Businesses: Unexpected delays on SH3 north of New Plymouth can lead to significant additional costs as a consequence of:
 - (1) truck drivers being unable to complete New Plymouth-Auckland return journeys within daily maximum allowable driving hours per day. This requires sending replacement drivers to complete journeys or extended delays while drivers are required to rest;
 - (2) trucks arriving in Auckland too late to avoid the congestion free period on Auckland's commuter routes; and
 - (3) over-sized loads associated with Taranaki's oil and gas and heavy engineering industries being required to use the much longer alternative routes. The Taranaki Branch of the Road Transport Association has estimated that the additional cost of using SH4 instead of SH3 is \$824,000 per day of closure for heavy commercial vehicles.

- (vi) Lifeline Economic Benefits: SH3 provides an alternative north/south route when other routes (e.g. SH1 and SH4) are closed. Although the concurrent closures of SH3 and these alternative routes may occur infrequently and for only limited duration, the economic impacts of such concurrent closures may be significant given that it will affect much wider route catchments than just those for SH3 when other routes are open. Also, SH3 north of New Plymouth provides an alternative to rail transport between Taranaki and the top half of the North Island including the Ports of Auckland and Tauranga. To this extent the Project increases the overall resilience of the state highway and rail networks in the central North Island.
 - (g) The Project will not result in negative economic externality effects. A small number of local property values may possibly be negatively affected by the Project. However any such effects are a reflection of, and not in addition to, the intangible impacts of the Project covered in the Assessment of Environmental Effects and in the evidence of other technical experts.
 - (h) The Project will have significant overall net positive economic benefits for the New Plymouth District and the Taranaki region.
6. As discussed in my evidence, the positive economic effects of the Project have been highlighted in submissions, and in the Section 42A Reports of both TRC and NPDC. In particular, I wish to highlight that:
- (a) over 1100 submissions in support of the Project were lodged, with many of those (from both individual submitters and organisations) referring to the economic benefits the Project will bring; and
 - (b) the NPDC Section 42A Report gives "significant weighting" to the economic benefits of the Project.