

Before the Queenstown Lakes District
Council

In the matter of The Resource Management Act 1991

And Request for a Private Plan Change by Northlake Investments
Limited (PC53)

REBUTTAL EVIDENCE OF JOHN DANIELL POLKINGHORNE FOR

Northlake Investments Limited

Dated 31 May 2018

INTRODUCTION AND QUALIFICATIONS

- 1 My full name is John Daniell Polkinghorne. My qualifications and background are detailed in my Evidence Summary dated 17th May 2018.
- 2 I have complied with the Code of Conduct for Expert Witnesses contained in the Environment Court Consolidated Practice Note 2014. This evidence is within my area of expertise, except where I state that I am relying on another person, and I have not omitted to consider any material facts known to me that might alter or detract from the opinions I express.
- 3 My evidence responds to the Pre-Circulated Expert Evidence filed by submitters 6 and 7. I comment briefly on the evidence of Mr Carey Vivian (dated 24th May 2018), and in more detail on the evidence of Mr Michael Copeland (dated 25th May 2018).
- 4 As noted previously, I consider the most accurate descriptor of the proposed 1,250 m² food tenancy at Northlake is a "small supermarket or large grocery store"; for brevity, I simply refer to it as a "supermarket" below.

REBUTTAL TO MR VIVIAN'S EVIDENCE

- 5 Mr Vivian states at paragraph 2.8 that "The BMUZ at Anderson Heights is 8.2 hectares in area and Standard 16.5.4 permits a building coverage of 75% within the BMUZ. This equates to a building coverage of 61,500m² GFA... all of this permitted 61,500m² GFA could be used for retail or commercial activities as a permitted activity".
- 6 This may reflect Anderson Heights' plan-enabled capacity if all sites are redeveloped to their theoretical maximum, but such a scenario is very unlikely to eventuate. My view is that there will be limited additional (or 'net') retail development in Anderson Heights. It is quite possible that there will be additional commercial development, but retail is more relevant for PC 53.
- 7 Factors weighing against large-scale retail development include fragmented land ownership; poor profile for many of the properties; a variety of potential/ competing land uses besides retail; existing buildings/ occupants on most sites; etc.
- 8 Furthermore, single-level retail developments would normally cover 30%-50% of a site; to achieve the higher site coverage allowed under the PDP, developments would have to be multi-storey and therefore likely to include some non-retail activity.

- 9 The adjoining CLHL sites (home to Mitre 10) are already quite intensively developed for retail, and appear to rely on a neighbouring council-owned site to provide shopper parking.
- 10 Mr Vivian states at paragraph 3.49 that "in [his] opinion, a supermarket with a retail GFA of 1250m² is not a small supermarket. It is of similar size to the new Fresh Choice supermarket in Cromwell which, in [his] opinion, is a medium sized supermarket".
- 11 This is incorrect – most New Zealand supermarkets are significantly larger than 1,250 m². My Summary Evidence notes that "an average-sized supermarket would be 3,000 square metres GFA or more, although sizes vary widely".
- 12 Even if we look only at the Queenstown-Lakes District, the (approximate) supermarket sizes are as follows:
- Pak'n Save Frankton 5,765 m² (which I would consider large);
 - The proposed New World at Three Parks 4,353 m² (medium/ large);
 - Countdown Queenstown 4,200 m² (medium/ large);
 - New World Wakatipu 4,165 m² (medium/ large);
 - New World Wanaka 2,100 m² (small);
 - Fresh Choice Queenstown 1,730 m² (small).
- 13 The supermarket proposed at Northlake would be smaller than any other in the Queenstown-Lakes District.
- 14 Indeed, as noted in the 2017 RCG report and again in my Evidence Summary, a size of 1,250 m² would be consistent with either a small supermarket or a large grocery store. Examples of the latter include Farro Fresh stores in Auckland, Raeward Fresh stores in Christchurch and Richmond, and Moore Wilson's in Wellington, as well as various 'Asian supermarkets' in the major cities. The Raeward Fresh store in Queenstown is smaller than is typical for that brand, and reflects the store's history in being purchased by Foodstuffs and rebranded.
- 15 I also note that Mr Vivian's opinion at paragraph 3.49 differs from that of Mr Copeland, expressed in his paragraph 5.6 (c) where he notes that "supermarkets vary in size but generally are much larger than 1,250 m² gross floor area". I agree with the opinion of Mr Copeland on this matter.

REBUTTAL TO MR COPELAND'S EVIDENCE

- 16 Mr Copeland comments on my Summary Evidence in paragraphs 6.1 to 6.6. I make some additional comments and clarifications below.
- 17 I disagree with the use of the word "significant" in Mr Copeland's paragraph 6.3; aside from this word having a particular meaning in the RMA context, the sentence would be an accurate reflection of my views with the word removed.
- 18 Similarly, I disagree with the thrust of Mr Copeland's paragraph 6.4. For clarity, the key point in my paragraph 106 is that Northlake's "establishment of [health, childcare and other] non-retail activities... will support a larger retail offering. This cluster is more likely to be economically viable, and to provide good amenity, than was envisaged in 2014". However, I did note that "a larger food retailing tenancy will support this".
- 19 Apart from the supermarket tenancy itself, the retail space increase proposed under PC53 is quite limited. As such, the key change since 2014 (and also taking into account the proposed supermarket under PC 53), is that the small number of shops at Northlake are likely to be more viable, and offer better amenity. I see this as positive.
- 20 Mr Copeland implies at paragraph 6.5 that the main benefit of a supermarket at Northlake is that it would be "more convenient for some Northern Wanaka residents". While convenience is one factor, I consider competition to be a more important one. This relates to competition not just in terms of sites, but in terms of supply chains, operators, formats, pitch and branding. One of the key themes of my evidence is that introducing more competition into the Wanaka food retail market is a positive step.
- 21 Mr Copeland appears to touch on this in his paragraph 5.6 (d), which includes the comment that "a second supermarket at Three Parks... would also increase the level of competition in Wanaka's food retail market".
- 22 Mr Copeland will be well aware of the positive effects of competition from his time at the Commerce Commission. This entity is established under the Commerce Act 1986, the purpose of which is "to promote competition in markets for the long-term benefit of consumers within New Zealand".¹
- 23 Because competition is generally seen as being positive, trade competition effects are excluded from consideration under the RMA.
- 24 However, as Mr Copeland notes at paragraph 3.8, "where trade competition effects in aggregate are of such significance that they threaten the overall vitality,

¹ Commerce Act 1986, section 1A

vibrancy and amenity values of district or town centres then such effects are relevant considerations under the RMA as being effects that extend beyond trade competition effects”.

- 25 I agree that the Wanaka CBD and Three Parks have (or will have, in the case of Three Parks) an important role as centres for Wanaka. The RCG report, and my evidence, consider the potential for PC 53 to have economic effects on these centres.
- 26 However, I disagree with Mr Copeland's suggestion at paragraph 4.13 that Anderson Heights is a "centre" and within the "hierarchy of retail and commercial centres".
- 27 Anderson Heights is not a zoned centre, and nor does it does reflect the "vitality, vibrancy and amenity" associated with centres. The RCG report refers to Anderson Heights as "generally more of a light industrial/ commercial area" (page 28).
- 28 Since Anderson Heights is not a centre, it is not possible for Northlake to have "significant" economic impacts on it that go beyond trade competition. However, even if Anderson Heights were to be considered a centre, my view is that any impacts would fall short of being "significant".
- 29 Mr Copeland, Ms Hampson and I all reach the conclusion that "the establishment of a supermarket at Northlake is unlikely to have a significant economic effect on the Wanaka CBD, beyond trade competition effects" (Mr Copeland's paragraph 5.7).
- 30 Mr Copeland differs from myself and Ms Hampson in concluding that the Northlake supermarket's "potential economic effects for the Three Parks and Anderson Heights centres would be significant and go beyond simply trade competition effects" (Mr Copeland's paragraph 5.7).
- 31 Mr Copeland lists five reasons for this finding under his paragraph 5.6 (a)-(e). I respond to each of these points in turn below:
- (a) A supermarket at Northlake will of course divert some spending from existing or proposed supermarkets, while also enabling some new spending (e.g. on products or suppliers not otherwise represented). However, Northern Wanaka makes up a third or less of total Wanaka food retail demand, and Northlake is only likely to capture some fraction of Northern Wanaka spending. The diversion for non-supermarket store types will be even smaller. These diversions will be consistent with healthy competition, not significant economic effects;

- (b) The RCG report and my evidence assume that Northlake retail is developed to the full 2,500 m² extent proposed under PC 53, and finds that there will not be significant economic effects on other centres;
- (c) A future expansion of the supermarket at Northlake would only occur if there was demand growth to support it, and as part of a wider competitive action or strategy. However, my understanding is that the limited size of the potential supermarket sites preclude any future expansion;
- (d) A second supermarket at Three Parks (i.e. beyond the proposed New World) would probably be a number of years away even in the absence of PC 53, and might not eventuate at all. I expand on this further below under the heading "Dual Supermarket Centres".
- (e) This argument is speculative given that there is no clear proposal for a supermarket at Anderson Heights. Furthermore, since Anderson Heights is not a centre, it is debatable whether a supermarket there would have greater economic benefits than one at Northlake.

32 My conclusions remain unchanged from my previous evidence.

DUAL SUPERMARKET CENTRES

- 33 One of Mr Copeland's arguments against a supermarket in Northlake is that "it is likely to deter or at least delay the establishment of a second supermarket at Three Parks" (paragraph 5.6 (d)).
- 34 Although there are some 400 supermarkets in New Zealand, 'dual supermarket' centres are relatively rare. I define 'dual supermarket' centres here as centres that are owned or were developed by a single entity – e.g. a shopping centre or master planned development.
- 35 I am taking a property-based view of centres here, rather than a planning- or zoning-based one. It is certainly common for supermarkets to establish in close proximity to each other, for reasons of competition or because zoning limits the number of places where they can establish. However, it is uncommon for multiple supermarkets to be developed or owned by the same entity.
- 36 There could be a number of reasons for the rarity of 'dual supermarket' centres. One reason could simply be that there are few large-scale land owners or developers who can create a centre of this size. Another reason could be that supermarkets typically pay low rents, and centre developers require a large number of specialty shops to make a second supermarket worthwhile. A third reason could be that commercial/ contractual relationships preclude the

establishment of a second supermarket. Another reason is that Foodstuffs, one of the two major supermarket companies, has tended to purchase and develop their own sites. There may well be other reasons for particular centres.

- 37 I certainly accept that Three Parks will be a large, master planned development and could eventually reach the scale of some of the other 'dual supermarket' centres listed below, given enough time.
- 38 However, the history of New Zealand retail development suggests that, where two supermarkets establish in close proximity to each other, they are more likely to have been developed by competing entities than related ones.
- 39 I have compiled a list of 'dual supermarket' centres below, as well as some centres which could be argued as such, or which have been in the past. This list is not necessarily exhaustive, but I have compiled it with reference to the New Zealand Shopping Centre Directory and my own database.
- 40 Current 'dual supermarket' centres, where there are two supermarkets under common ownership, include:
- (a) Sylvia Park, Auckland;
 - (b) Coastlands, Paraparaumu;
 - (c) Karori Mall, Wellington;
 - (d) Richmond Mall, near Nelson;
 - (e) Northlands, Christchurch.
- 41 Four of the centres above are 'regional' sized shopping centres with at least 20,000 m² of retail space (with three of them having at least 35,000 m² of retail space). Karori Mall is the only exception, being a 'neighbourhood' shopping centre with two small supermarkets.
- 42 Centres which could be argued as 'dual supermarket' centres, or which have been in the past, include:
- (a) Albany (arguably – both the Pak'n Save site and what is now Westfield Albany were originally owned by Neil Group, with the sites then sold off separately and the shopping centre opening almost a decade after the Pak'n Save);
 - (b) Westgate (arguably – the original large format retail centre south of Fred Taylor Drive opened in 1998. North of Fred Taylor Drive, the NorthWest Shopping Centre opened in 2015. NZRPG owned the land for both sites,

although they sold the NorthWest Shopping Centre site prior to its opening);

- (c) Botany Town Centre (arguably – while the shopping centre is now under separately owned, my understanding is that both this site and the neighbouring Pak'n Save site were originally owned by Foodstuffs);
- (d) Bayfair (until recently – one of the two Countdowns has now closed);
- (e) Glenfield Shopping Centre (until recently – one of the two Countdowns has now closed);
- (f) Wainuiomata Shopping Centre (until 2012, when the New World closed).

- 43 Supermarket closures are rare in New Zealand, except where a small supermarket closes to make way for a larger one. Wainuiomata is one of few examples where the closure arguably resulted from a decline in trading prospects in the catchment. The other closures above relate to the consolidation of supermarket brands in New Zealand, with former Woolworths and Foodtown stores converted to the Countdown brand, and there being little benefit in having two Countdown supermarkets within the same centre. Overall, supermarket numbers (and their level of retail space occupied) have increased in New Zealand.
- 44 Many of the examples above illustrate that there can be long time periods between the first and second supermarket openings. Sylvia Park is the most recent (2006-2007) of a centre establishing as a 'dual supermarket centre' within a short timeframe.
- 45 In my view, the examples above support the proposition that a second supermarket at Three Parks, if it happens at all, is unlikely to occur at least in the medium term.
- 46 As such, the supermarket proposed at Northlake under PC 53 is more likely to provide competitive benefits to Wanaka, and much sooner, than the uncertain prospect of a future second supermarket at Three Parks.

Dated 31 May 2018