IN THE MATTER OF	the Resource Management Act 1991
AND	
IN THE MATTER OF	Woolworths New Zealand Limited ("Woolworths") submission on the Proposed Plan Change (Peacocke Structure Plan) to the Hamilton City Operative District Plan ("PC5") to amend the proposed Local Centre maps and other provisions to include the site at 410 Peacockes Road within the proposed Local Centre.

SUMMARY STATEMENT OF TIMOTHY JAMES HEATH

ON BEHALF OF WOOLWORTHS NEW ZEALAND LIMITED

29 September 2022

INTRODUCTION

1. My name is Timothy James Heath. My experience and qualifications are outlined in paragraphs 2-5 of my primary statement for this hearing dated 16 September 2022.

2. This summary outlines the key points relevant to my economic position and provides short responses to higher level issues raised in the rebuttal statement of Mr Akehurst[1] and the reply statement of Mr Bowker[2] as I see them.

3. I confirm I have complied with the Code of Conduct for Expert Witnesses (Environment Court Consolidated Practice Note 2014) in producing this statement.

SUMMARY

4. In my opinion, including the Woolworths site in the Peacocke Local Centre Zone (**LCZ**) would deliver a more accessible, competitive, functional, economically efficient and higher performing local centre based around the centre's critical asset - Peacockes Road. It would also deliver a centre that better meets the LCZ objectives of the Peacocke Structure Plan (**PSP**), and in my view would not dilute the performance, vitality and vibrancy of LCZ activity on the eastern side of Peacockes Road.

5. The vast majority of supermarket shoppers prefer to go directly to the store, shop, load their car and leave as its typically a specific purpose trip. This is the practical reality. However, this does not diminish the propensity for shoppers to undertake cross shopping on the same trip if they so desire, with the proposed Woolworths carpark more proximate to the proposed main street than many carparks that will be provided on the eastern side of Peacocke Road. Additionally, the Woolworths supermarket shoppers are not 'lost' to the centre if they do not undertake cross shopping on a specific purpose supermarket trip as they will visit the centre's other stores on an alternate trip, i.e., their demand and the vibrancy they can add to the main street still exists as and the Peacocke centre is still their primary local convenience centre.

6. Having both supermarkets on one side of Peacocke Road, in my view, has limited impact on the economic efficiency, cross shopping opportunities and economic successful of the Peacocke LCZ. What is more important is having

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[1] G.Akehurst rebuttal statement, dated 22 September 2022

[2] R.Bowker reply statement, dated 21 September 2022

the Centre's supermarkets in locations where they can operate and function efficiently with minimal accessibility friction for the community. This will provide the most benefit to the community and the centre.

7. Balancing all the economic considerations, and considering the potential economic outcomes of the Centre's supermarkets being located within the extent of the Local Centre as currently proposed, the Woolworths proposal is considered likely to generate significantly more economic benefits for the Peacocke community and local businesses relative to the Local Centre position identified in the PSP.

RESPONSE TO MR AKEHURST'S REBUTTAL

8. Mr Akehurst's differences with my economic position can be synthesized down to three main issues – Peacocke centre size, location and role / function, of which the latter two are my primary concern.

Centre Size

9. Mr Akehurst believes he has identified a factual mistake in my evidence. I am unsure the basis of his assertion, particularly around the use of 40% as this was taken directly from Market Economics (**ME**) own work. Without getting into any unnecessary detail, I have identified directly from the 2020 ME Report[3] the utilisation of 40% of retail floorspace in Peacocke. It states *"that approximately 40% should be provided for locally within the Peacocke centre"* [4]. This is the key variable applied to assess the total size of both the suburban and neighbourhood centres in the 2020 ME Report.

10. In the same paragraph the 2020 ME Report states *"A Suburban centre of 11,900m2 GFA will be able to be supported by 2043, increasing to 12,700m² by 2048. At the same time, a network of Neighbourhood centres will also be required to provide approximately an additional 3,100m² GFA of retail for convenience retail goods and services."* Adding these two figures up gives a 2048 total of 15,800sqm GFA[5]. This figure is 40% of 39,100sqm GFA identified in the same paragraph.

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[3] *Peacocke Structure Plan Retail Assessment, ME 2020 (2020 ME Report)*

[4] *ME Report 2020, Conclusion, page 26, paragraph 3*

[5] *This figure is derived by adding 12,700sqm GFA and 3,100sqm GFA together.*

11. However, the 2020 ME Report conclusion appears to have erroneously applied the 40% to only the PSP area total (39,100sqm) and not the total catchment (48,000sqm) as the report determines in Figure 3.6[6]. While this would indicate there are discrepancies between the 2020 ME Report and Mr Akehurst's application of its proportions, my adoption of a 50% retention rate is based on a simple proportional increase equivalent to 25% and therefore does not exacerbate any underlying mistakes the ME report may have made.

12. To clarify the implications of my position utilising Mr Akehurst's numbers is:

- The 2020 ME Report determines a sustainable suburban centre of 12,700sqm GFA which when divided by the total catchment market of 48,000sqm GFA equates to 26% of the total market in 2048.

- Adding my 25% increase to the 2020 ME Report's estimate of 12,700sqm increases the total for the Peacocke LCZ to 15,875sqm GFA. This equates to 33% of the total catchment's 2048 market.

- Therefore, my increased percentage only equates to an additional 3,175sqm GFA above the 2020 ME Report's 12,700sqm GFA estimate and is within the 40% figure Mr Akehurst himself adopts.

- Mr Akehurst's comparison in his rebuttal evidence compares a 40% (2020 ME Report) Peacocke catchment retention rate (both suburban and neighbourhood centres) and assumes this is all retained in the suburban centre. This is clearly not the case and is not the case with my proportional 50%. As identified above the retention rate for the Peacocke suburban centre, with my higher retention rate, would move from 26% to 33% (i.e., 12,700sqm to 15,875sqm GFA). This invalidates Mr Akehurst's concerns regarding the Peacocke suburban centre potential growing to a level where it has an inappropriate role and function.

13. For clarity, the 25% increase in retention I have utilised, relates to what I consider a likely resulting increase from the potential development of two full department supermarkets. As identified in the 2020 ME Report the 40% figure was based on one large supermarket or two medium sized supermarkets around 2,500sqm GFA. A population base of 25,000+ people is more than sufficient to sustain two supermarkets up to 4,000sqm GFA. These larger supermarkets would increase retail internalisation in the catchment and

[6] *ME Report 2020, Figure 3.6, page 17 (combining the area totals of 39,100sqm+5,200sqm+3,700sqm)*

attract higher sales levels, shopping visits and therefore increase cross shopping potential in the centre. As identified above, the implication for the Peacocke LCZ is this would increase the retained spend from 26% under the 2020 ME Report position (12,700sqm of 48,000sqm by 2048), to 33% of the total catchment spend.

14. Regardless of the fact that Mr Akehurst has subsequently assessed a retention rate that contradicts the one clearly stated in the 2020 ME Report, my position is not predicated on the overall size of the centre, but the location and efficiency of the centre as a whole.

Location

15. Mr Akehurst outlines under the heading ‘Centre Location’ in para 15 of his rebuttal that his position provides for sufficient capacity for two supermarkets, and this helps ensure economic efficiency. This statement has nothing to do with the location of the centre, as Woolworths proposal also provides sufficient capacity for a two supermarket centre. Therefore, based on Mr Akehurst’s theory the Woolworths proposal must also ensure economic efficiency as it provides sufficient capacity. It is not a land quantum issue, but a location efficiency issue.

16. There is nothing provided by Mr Akehurst under his ‘location’ section in his rebuttal that would alter my view that the Woolworths proposal represents a more efficient outcome for the Peacocke suburban centre than the PC5 proposal. This is because the Woolworths proposal would likely result in higher levels of efficiency and cross shopping than the PC5 proposal.

17. As outlined in my primary statement[7] the carpark in the Woolworths proposal would entail less walking distance to the main street than many internalised supermarket carparks on the eastern side of Peacocke Road. As such the practical outcome of the Woolworths proposal is not diametrically opposed to economic efficiency as purported by Mr Akehurst[8], but represents a more economically efficient outcome as Peacocke Road does not represent lost cross shopping opportunities for shoppers who want to undertake such.

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[7] *Heath primary statement, 16 September 2022, para. 35.*

[8] *Akehurst rebuttal evidence, 22 September, para. 17*

18. A higher performing, accessible and efficient supermarket attracts more shoppers thereby increasing the total number of shoppers and shopping visits to the Peacocke LCZ. On this basis the Woolworths proposal would increase cross shopping opportunities through attracting a higher total volume of shoppers to the centre, i.e., the Woolworths proposal grows the market and does not simply redistribute the same market size.

19. The implication of Mr Akehurst's position is that corner sites are less economically efficient than internalised centre sites with no or limited road frontage and access. Most retailers and centre developers I have worked alongside in NZ over the last two decades always gravitate to corner sites for efficiency, accessibility, profile and economic performance reasons, so I am surprised with Mr Akehurst's position in that regard.

Role and Function

20. Mr Akehurst, in paragraph 42 of his rebuttal statement under the heading Centre Scale and Role suggests it is incorrect to couch the Peacocke suburban centre as a convenience centre. He provides no evidence to support his opinion. There is no doubt in my mind that a local suburban centre on the outskirts of Hamilton's southern urban fringe based around two supermarkets will be dominated by convenience store types (retail and commercial services).

21. Most 'traditional' town and suburban centres around the main urban areas of NZ have been impacted by shopping mall and LFR centre developments to the point where they are now heavily reliant on convenience store types to remain relevant. For example, Birkenhead, Northcote and Browns Bay on the North Shore in Auckland, Ellerslie, Avondale and Panmure in Auckland Central, or Dinsdale, Frankton, Hamilton East in Hamilton. All these centres historically played a higher order role and function in the market pre the shopping mall era emerging in the 1970s, and subsequently the LFR era from the 1990s. To suggest the Peacocke LCZ is not going to be dominated by convenience store types or have its primary function as convenience is without basis and devoid of market realities in my view.

RESPONSE TO MR BOWKER'S REPLY STATEMENT

22. Mr Bowker agrees with me that supermarkets are 'anchor' stores for local centres and are the main attractors. In my view, zoning the Woolworths site

to enable a supermarket will clearly add to the success of the proposed Local Centre.

23. In paragraph 8 of his reply statement Mr Bowker suggests the Woolworths proposal will generate an excessive amount of retail capacity. Zoning by itself does not deliver excessive amounts of retail capacity, the market does. If there is no market demand for additional supply the market is unlikely to deliver it. He then states in the same paragraph that there is potential for the Woolworths proposal to lead to long term vacancies (on the eastern side of Peacocke Road). This admission by default indicates Mr Bowker has concerns the provision on the east side of Peacocke Road is inferior to the Woolworths site and not well located to meet market or retailer requirements long term. If the PC5 proposal was the most efficient location to meet market sector retail demand, then he should hold no such concerns.

24. In paragraph 11 of Mr Bowker's rebuttal he discusses an oversupply of retail in the Hamilton market and the size of Chartwell, The Base and Centre Place. This is irrelevant to determining demand for convenience activity in the identified Peacocke catchment and the most efficient location to service this demand. The Peacocke Local Centre will not undermine The Base.

25. Mr Bowker, in paragraph 13 of his reply statement, states *"the Peacocke Structure Plan Area would capture spend of $281m by 2048, therefore supporting 39,100sqm of GFA"*. It appears Mr Bowker has made the same error as Mr Akehurst by referencing only the Peacocke Structure Plan (PSP) area as outlined in Figure 3.6 of the 2020 ME Report and not the entire catchment. To correct this error to include the total catchment, the retail spend generated equates to $344m by 2048 and 48,000sqm in Figure 3.6 of the 2020 ME Report.

26. This flows through to Mr Bowker's paragraph 16(e) where he agrees to *"ME's assessment of <u>catchment</u> demand equating to 12,700sqm of commercial and retail area"* (*underline emphasis added*). As outlined earlier in this summary the 12,700sqm GFA is not based on 'catchment demand' but only demand from the PSP area. As such it appears Mr Bowker's fundamental understanding of the ME Report is incorrect.

27. Finally, in terms of the role of the Peacocke Local Centre, in paragraph 17 of his reply statement Mr Bowker does not agree convenience is the primary function of the Peacocke Local Centre. I am unsure how Mr Bowker is applying the word 'convenience' but from a retail economic perspective local centre

provision is dominated by convenience store types (retail and commercial service. I have provided examples in Appendix 1 to assist understanding the types of retail and commercial service activities I am applying to the term 'convenience' and highlight the activities likely to dominant the Peacocke Local Centre provision. As such, I hold my view the Peacocke Local Centre will primarily function as a convenience centre for the community. This function is not altered by the Woolworths proposal.

CONCLUSION

28. The main issue in contention is not whether a local centre should be provided in this general location but the extent and positioning of the local centre. There is no additional economic material provided in either Mr Akehurst's rebuttal or Mr Bowker's reply statement that makes me alter my view that the Woolworths proposal represents a more appropriate, practical, economically efficient and functional outcome for the Peacocke LCZ. Peacocke Road is not a deterrent to cross shopping opportunities, and the Local Centre, with the inclusion of the Woolworths site, represents the most efficient outcome.

Timothy James Heath

29 September 2022

APPENDIX 1: CONVENIENCE CENTRE STORE TYPES

This appendix presents a range of tenancy types considered appropriate for convenience centres given their role and function in the market.

Note this is not intended to represent an exhaustive list, simply an indication of the types of convenience retail and commercial & professional services businesses that typically establish in centres that meet the local community's convenience and frequently required commercial needs.

EXAMPLES OF CONVENIENCE RETAIL STORE TYPES

- Supermarket / Superette / Dairy / Mini mart
- Fish shop
- Butcher
- Bakery
- Post Shop / Stationery
- Fruit & Vegie Shop
- Delicatessen
- Cake Shop
- Ice Cream Parlour
- Liquor / Wine Shop
- Takeaways (Fish & Chips, Pizza, Chinese, Thai, Turkish, Indian, etc.)
- Cafés & Restaurants
- Newsagent
- Pub / Bar / Tavern
- Florist
- Gift Shops
- Pharmacy

EXAMPLES OF CONVENIENCE COMMERCIAL / PROFESSIONAL SERVICE ACTIVITIES

- Optometrist
- Locksmith
- Hairdresser
- Drycleaners
- Doctors

- Accountants
- Physiotherapists
- Medical practitioners
- Dentists
- Travel agency
- Childcare facilities
- Banks
- Financial Advisors
- Gym
- Lawyers