

**BEFORE THE HEARING COMMISSIONERS
NAPIER**

IN THE MATTER

of the Resource Management Act 1991
(the Act)

AND

IN THE MATTER

of applications by Port of Napier Limited
to undertake wharf expansion,
associated capital and maintenance
dredging, disposal of dredged material
within the coastal marine area, and
occupation of the coastal marine area
for existing port activities and the
proposed new wharf

STATEMENT OF EVIDENCE OF SEAN FRANCIS BEVIN

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INTRODUCTION

Qualifications and experience

1. My name is Sean Bevin. I run my own Hawke's Bay based economic consultancy, Economic Solutions Ltd (ESL), and work as a specialist regional and local economic analyst.
2. Whilst a considerable amount of my consultancy work over the years has been within the Hawke's Bay region, I have also undertaken a number of economic assessment projects for clients in other parts of New Zealand.
3. I have a Bachelor of Arts Honours Degree from Massey University (1975/76).
4. I have the following relevant work experience:
 - (a) Regional Economic Planner, Wellington Regional Council, 1981-1985.
 - (b) Executive Officer (Economic Portfolio), Local Government New Zealand, Wellington, 1985-1989.
 - (c) Economist and Economic Development Adviser, Napier City Council, 1989-2002.
 - (d) Consulting Economic Analyst, Economic Solutions Ltd, Napier, 2002-present.
5. A significant part of my economic consultancy work has involved undertaking both economic impact and broader economic benefit assessments for a wide variety of new development projects within sectors such as business/industry, major events, tourism operations, residential development, sports facilities and infrastructural provision. I have prepared assessment reports and presented evidence in the past at both Council and Environment Court hearings.

Expert Witness Code of Conduct

6. I have been provided with a copy of the Code of Conduct for Expert Witnesses contained in the Environment Court's Practice Note dated 1 December 2014. I have read and agree to comply with that Code. This evidence is within my area of expertise, except where I state that I am relying upon the specified evidence of another person. I have not

omitted to consider material facts known to me that might alter or detract from the opinions that I express.

PURPOSE AND SCOPE OF EVIDENCE

7. In 2016, the Port of Napier requested ESL to prepare an analysis of the potential regional economic impacts of both the (year ending) September 2015 Port operation, and the (year ending) September 2025 Port operation incorporating the revenue gain impacts of the proposed new wharf during the interval between these two periods. ESL was also requested to assess the short-term regional economic impacts of the construction stage for the new wharf. Additionally, ESL was asked to identify in its economic assessment other regional economic gains anticipated from the new development over and above its positive economic impacts.
8. It is noted that economic impact assessment is basically concerned with quantifying the potential total direct and flow-on economic impacts of expenditure and/or revenue associated with a new development or activity, on total district or regional Revenue/Turnover, Net Household Income, Employment and Value Added/GDP (or Gross Regional Product (GRP) at a regional level). The GRP impact is the most appropriate indicator of the true impact of a new expenditure or revenue development or operation on overall economic activity in a district/region. Employment is also an important economic impact measure.
9. The economic impact modelling results presented in the detailed report and summarised below were derived by Dr Warren Hughes, consulting economic impact modelling analyst of Auckland, using base economic data provided by Port of Napier and ESL, and also a December 2015 88-sector (economic impact) model for the Hawke's Bay region. The model also generates Type II multiplied economic impacts incorporating both production and consumption flow-ons.

TECHNICAL REPORT - SUMMARY OF FINDINGS

10. My report ('Hawke's Bay Economic Impacts of Port of Napier Operations') is provided as Appendix O in Volume 3 of the application documentation. The key findings of the report are as follows:
11. During the 2014/15 financial year, the revenue operations at the Port of Napier locality of both the Port Company and

stevedores, and Port Company capital expenditures, had a total multiplied GRP impact of \$96.6 million. The total employment impact was 768 persons and the economic contribution to total regional Net (or Disposable) Household Income was \$37.7 million.

12. The Port of Napier also plays a critical role in the ongoing successful performance of the regional cruise ship tourism sector. A year 2015 report from the Cruise New Zealand organisation indicates that during the year, cruise ship tourism contributed \$20.7 million to Hawke's Bay GRP and had a total multiplied employment impact of 549 persons.
13. The Port of Napier also plays a key role in the ongoing operations of Hawke's Bay based exporting and importing businesses which use the Port for these purposes. The detailed analysis presented in the economic assessment report indicates that the total fob ('free on board') value during the 2014/15 year of the exports and imports of these firms was in the order of \$4,200 million. Their total multiplied contribution to GRP was in the order of \$3,327 million whilst their total regional employment impact was approximately 26,500 persons.
14. Thus, taking into account Port of Napier-based businesses, cruise ship tourism to Hawke's Bay and regional export and import industries using the Port of Napier, the key Hawke's Bay total economic impacts for these items collectively for the 2014/15 year, are GRP \$3,444 million and Employment of approximately 27,815 persons. The regional Port-using export/import industries account for most of these economic impacts. In turn, these impacts represented approximately 51% of Hawke's Bay GRP and 38% of regional employment in the 2014/15 year. The operations of the Port of Napier therefore have a major impact on the overall scale and performance of the Hawke's Bay economy.
15. The actual construction period for the new wharf is estimated at 18 months to two years. The regional economic impacts during this period of the Hawke's Bay based proportion (estimated at 9%) of the total construction expenditure for the new facility, have been modelled at Net Household Income of \$5 million, Employment impact of 126 labour-years and GRP of \$9.5 million.
16. ESL was requested to quantify the regional economic impacts of the Port of Napier operation after a 10-year time-

frame and incorporating forecast growth in total Port Company operating revenue during the 2016-2025 planning period. The forecast growth in revenue assumes the availability of the required wharf infrastructure (including the proposed new wharf) and the absence of any significant constraints or limitations on shipping or cargo movements arising from a lack of available Port infrastructure.

17. The forecast growth in Port Company revenues over 2016-2025 was also applied to the Port stevedores operating revenue and Port capital spending, in order to determine the forecast growth in these factors over the planning period. Historical growth trends in Hawke's Bay cruise ship-related expenditures were used as the basis for generating the forecast trend in this sector over the planning period. Port Company revenue growth over the planning period was also used as guide for preparing the growth forecasts for the regional Port-using export and import industries.
18. Over the planning period, the total multiplied Hawke's Bay GRP impact of the Port of Napier operations (including the Port Company, Port-based stevedores, cruise ship visits and Port user export/import sectors), is forecast to increase by approximately \$1,327 million or 39% to a level of \$4,772 million (compared to \$3,444.7 million in 2015).
19. At the same time and after taking into account anticipated labour productivity gains over the planning period, the total multiplied regional Employment impact is forecast to increase from 27,816 persons in 2015 to 36,717 persons in 2025, that is, a gain of 8,901 or 32%.
20. **Table 1** over-page summarises the economic impact results presented in paragraphs 11-19 above.
21. Section 7 of ESL's detailed economic assessment report in Appendix O indicates a range of other economic gains for Hawke's Bay anticipated from the proposed new wharf and its integration with the rest of the Port of Napier operation and supporting infrastructure. In brief, some of the gains are as follows:
 - (a) Enhancing the Port's role within the regional transportation system and encouraging further upgrading of road linkages to/from the Port (with flow-on benefits for all road users).

- (b) Consolidating its status as the largest seaport in central New Zealand and the fourth largest container terminal in the country.
- (c) Flow-on benefits for existing and new regional export/import industries arising from increased operating efficiencies at the Port.
- (d) Facilitation of increased export production within Hawke's Bay.
- (e) Attraction of more Port related importing businesses to the region.
- (f) Strengthening of regional efforts to promote and attract more business and investment to the region generally.
- (g) Via all the above factors, achievement of increased economic growth and development in Hawke's Bay.

Table 1: Total Hawke's Bay Economic Impacts of Port of Napier Related Business Operations 2015 and Forecast 2025

Port of Napier Operational Activity	Total Hawke's Bay Multiplied Economic Impacts	
	Value Added/GRP (\$M)	Employment (Persons/Labour Years)
2015 Year		
<i>Annual Port Company Revenue Operation</i>	68.5	526
<i>Port Capital Spend/Port Based Stevedore Operations/Cruise Ship Visits</i>	48.8	791
<i>HB Port User Export/Import Sectors</i>	3,327.4	26,499
Total	3,444.7	27,816
New Wharf Construction Period		
<i>Proposed New Wharf Construction</i>	9.5	126
2025 Year		
<i>Forecast Ann Port Coy Revenue Operation</i>	106	809
<i>Port Capital Spend/Port Based Stevedore Operations/Cruise Ship Visits</i>	57	821
<i>HB Port User Export/Import Sectors</i>	4,609	35,087
Total	4,772	36,717

RESPONSE TO MATTERS RAISED IN SECTION 42A REPORT

22. The section 42A report appears to accept the information in my report in full.

RESPONSE TO MATTERS RAISED IN SUBMISSIONS

23. No matters were raised in submissions relating to my area of expertise. I note that a number of submissions were supportive of the Port's role in the Hawke's Bay economy and support the proposals.

CONCLUSIONS AND RECOMMENDATIONS

24. In conclusion, the Port of Napier is a key and growing component of the Hawke's Bay economy. Particularly through its servicing of the requirements of the export and import sectors, it makes a substantial contribution to the regional economy.
25. This will be significantly reinforced and also enhanced by the proposed new wharf development. At the same time, the development will generate a number of other important flow-on economic gains for Hawke's Bay which collectively should facilitate significant further economic growth and development in the region in the future.

SEAN FRANCIS BEVIN

2 August 2018