

**BEFORE BAY OF PLENTY REGIONAL COUNCIL**

**IN THE MATTER** of the Resource Management Act 1991

**AND**

**IN THE MATTER** of Lake Rotorua Nutrient Management - Proposed Plan Change 10 to the Bay of Plenty Regional Water and Land Plan under clause 8B of Schedule 1 to the Act

**BETWEEN** **ROTORUA LAKES COUNCIL**

**Submitter**

**AND** **BAY OF PLENTY REGIONAL COUNCIL**

**Plan Change 10 Proponent**

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**APPEARANCE NOTES OF PHILIP MARK OSBORNE  
(Economic effects)**

**Dated 3 April 2017**

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## NOTES OF PHILIP MARK OSBORNE:

1. My name is Philip Mark Osborne. I am an Economic Consultant for the company Property Economics Ltd, based in Auckland. My qualifications include – Bachelor of Arts (History/Economics), Masters in Commerce, a Masters in Planning Practice, and have provisionally completed my doctoral thesis in developmental economics.
2. Although my qualifications and experience are set out in my evidence in chief I thought it pertinent to emphasize my role as an economist over the past 13 years has included the assessment and contribution to S32A analysis as a core part of my work.
3. It is also important to note that I agree that the sustainable management of Lake Rotorua’s water quality is of significant economic importance to the District and Regional communities.
4. The economic sustainable management of nitrogen requires the internalisation of costs associated with its leaching, within the process of the activities that generate it. While restricting nitrogen leaching to a sustainable level provides this management, the mechanisms employed play a role in the efficient and equitable utilisation of the land resource within the Rotorua catchment economy.
5. It is fundamental, from an economic viewpoint, when considering the process by which nitrogen is managed to ascertain key economic costs and benefits and their significance in order to weigh the possible options.
6. Some of the key principles are identified within the RPS. Often these principles are contradictory with resource efficiency or forms of equity running counter to the current land use or capital investment.
7. In considering different approaches it is therefore crucial that the significance of the impacts on these principles are understood.
8. From an economic perspective the concern with the economic assessment undertaken for PC10 is whether it has adequately considered these issues and whether they are adequately represented.

9. Lack of appropriate consideration or inappropriate weighting can play significant roles in unbalanced economic impacts and misinformed decisions.
10. The primary economic concerns remain:
  - Does a grandparenting (with sector averaging) allocation result in the most economically efficient outcome?
  - Is this approach the most equitable?
  - What are the urban implications?
  - What are the economic costs of a moratorium on trading prior to 2022?
11. While the economic model utilised to assess the relative impacts of PC10 is both sophisticated and detailed, ultimately its results are limited by focus and absent considerations.
12. These include:
  - Exclusion/treatment of undeveloped and to a degree underdeveloped land.
  - Relative value differential between current investment and nitrogen value over time (refer rebuttal).
13. While the focus of the economic work has been on the efficiency of the rural sector, other factors play an important role with regard to the identified principles including:
  - Equity with regard to underdeveloped and undeveloped land.
  - Specifically the impact on Maori land holdings.
  - The wealth transfer and its barrier to efficiency.
  - Potential impact on urban growth.
14. Maori land accounts for over 25% of land within the Lake Rotorua catchment.

15. Even the comparison outlined in Ms Moleta's rebuttal evidence for Bay of Plenty Regional Council illustrated that proportionately less Maori land is developed and less accommodates high value land activities.
16. While this representation may not be the most appropriate measure of equity it highlights the greater concern that this allocation mechanism represents an additional barrier to land change opportunities that may be possible on more efficient land.
17. In terms of the principles of equity it is considered appropriate that these impacts be quantified and the burden of cost be assessed across existing land owners.
18. While much attention has been placed on the rural sector there is limited, if any, economic analysis regarding the risk to urban growth resulting from the allocation of nitrogen to Rotorua's waste water. No assessment has been undertaken to understand the impacts on either the Council's ability to manage this, nor the economic impacts on development potential or residential land values in the catchment.
19. Similarly, no assessment has been undertaken regarding the potential economic impacts on the economy of restricting land use change through a moratorium of nitrogen trading. While Professor Doole's rebuttal identifies some factors that may contain these impacts, their possible extent and nature have not been identified.
20. My economic position is not that a Natural Capital approach to allocation is definitely the most appropriate but that it raises questions regarding the scope and breadth of the current assessment and whether it appropriately considers and balances all economic impacts and, in turn, provides the most appropriate approach to provide for Rotorua's economic wellbeing.

**Phil Osborne**  
**3 April 2017**