

Before a Board of Inquiry
Transmission Gully
Notices of Requirement and Consents

under: the Resource Management Act 1991

in the matter of: Notices of requirement for designations and resource consent applications by the NZ Transport Agency, Porirua City Council and Transpower New Zealand Limited for the Transmission Gully Proposal

between: **NZ Transport Agency**
Requiring Authority and Applicant

and: **Porirua City Council**
Local Authority and Applicant

and: **Transpower New Zealand Limited**
Applicant

Statement of rebuttal evidence of Michael Campbell Copeland (Economics)
for the NZ Transport Agency and Porirua City Council

Dated: 12 January 2012

REFERENCE: John Hassan (john.hassan@chapmantripp.com)
Nicky McIndoe (nicky.mcindoe@chapmantripp.com)

**STATEMENT OF REBUTTAL EVIDENCE OF MICHAEL CAMPBELL
COPELAND FOR THE NZ TRANSPORT AGENCY AND PORIRUA
CITY COUNCIL**

INTRODUCTION

- 1 My full name is Michael Campbell Copeland.
- 2 I have the qualifications and experience set out at paragraphs 2 to 4 of my statement of evidence in chief, dated 15 November 2011 (*EIC*).
- 3 I repeat the confirmation given in my *EIC* that I have read, and agree to comply with, the Code of Conduct for Expert Witnesses (Consolidated Practice Note 2011).
- 4 In this statement of rebuttal evidence, I respond to the evidence of Dr Ralph Chapman, on behalf of the Rational Transport Society.
- 5 The fact that this rebuttal statement does not respond to every matter raised in the evidence of submitter witnesses within my area of expertise should not be taken as acceptance of the matters raised. Rather, I rely on my *EIC* and this rebuttal statement to set out my opinion on what I consider to be some of the key economic matters for this hearing. I understand other matters raised by Dr Chapman in his evidence are to be addressed in the rebuttal evidence of Mr Kelly, Mr McCombs and Mr Nicholson on behalf of the NZ Transport Agency (*NZTA*) and the Porirua City Council (*PCC*).
- 6 For the purposes of this evidence, I will refer to *the NZTA Project*¹ and the *PCC Project*² collectively as the "Transmission Gully Project" (and hereafter, *the TGP* or *the Project*).

SUMMARY OF EVIDENCE

- 7 I have read the evidence of Dr Chapman for the Rational Transport Society. I do not agree with his suggestion that the Project should be deferred to eliminate uncertainty, since deferral is not costless. Nor do I agree with him that the Project is marginal because the quantified Benefit Cost Ratio (*BCR*) is low. In my opinion, when both quantified and non-quantified costs and benefits are taken into account, *NZTA* have assessed the Project to be of high priority and not 'marginal'.

¹ The 'NZTA Project' refers to the construction, operation and maintenance of the Main Alignment and the Kenepuru Link Road by the *NZTA*.

² The 'PCC Project' refers to the construction, operation and maintenance of the Porirua Link Roads (being the Whitby Link Road and the Waitangirua Link Road) by *PCC*.

- 8 Dr Chapman's evidence has not caused me to depart from the opinions I expressed in my EIC and I re-confirm my conclusion that the Transmission Gully Project is consistent with enabling "*people and communities to provide for their ... economic ... well being*", and having regard to "*the efficient use and development of natural and physical resources*".

EVIDENCE OF DR CHAPMAN

Uncertainty and Project Deferral

- 9 In Section D³ of his evidence, Dr Chapman introduces the concept of "option value" and suggests that because of uncertainty it may be better to delay the Project until more is known about its costs and benefits including those relating to climate change.
- 10 However the option of deferral is not costless. In the intervening years until the Project is implemented there will be ongoing and increasing congestion costs, trip time unreliability costs, road accident costs and amenity costs for coastal urban settlements on the existing State Highway (SH1) alignment. Also by delaying the Project the agglomeration benefits from the total Wellington RoNS investment package and the economic benefits of having an alternative "life-line" route in and out of Wellington City in the event of an emergency such as an earthquake will not be realised.
- 11 Most if not all major investment projects will have uncertainty associated with costs and benefits. Economic efficiency and economic well being will not be enhanced by deferring investment decisions whenever there is uncertainty about costs or benefits.

Low Benefit Cost Ratio

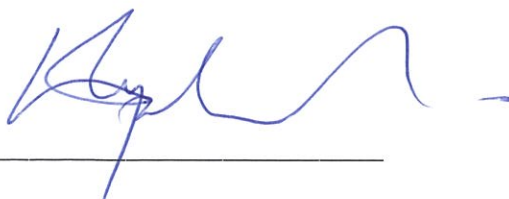
- 12 Also in Section D⁴ of his evidence Dr Chapman suggests that since the BCR is less than 2 the Project is marginal and the NZTA should have concerns about the viability of the Project. In my EIC (paragraphs 44 and 45) I have explained that NZTA uses a project selection process which assesses not only efficiency (which is measured by a quantified BCR), but also two other criteria – strategic fit and effectiveness.
- 13 The Wellington RoNS Project (of which the Transmission Gully Project is an integral part) was scored 'high' (*H*) for strategic fit, 'high' for effectiveness (*H*) and 'low' for efficiency. In my opinion the two additional criteria are an attempt to cover intangible costs and benefits – i.e. those costs and benefits which because they cannot be quantified in monetary terms are excluded from the BCR analysis. The overall 'HHL' combination and the priority 3 ranking

³ Paragraphs 46 to 49.

⁴ Paragraphs 50 to 54.

given for the whole of the Wellington RoNS Project indicate that NZTA does not see Project as being marginal.

- 14 Much of Government expenditure (e.g. in the education, health and social welfare sectors) cannot be evaluated in terms of a BCR with costs and benefits quantified in monetary amounts. This does not necessarily make such expenditure 'marginal' or of low priority.



Michael Campbell Copeland
12 January 2012