

## Rebuttal of layperson evidence – economics

I would like to address the layperson's evidence of Ms Bradley and Mr Harris on behalf of the Cost Road Resilience Group, which I received after I had finalised my summary statement.

### Jill Bradley: Layperson's economic review

1. First, I'd like to thank Ms Bradley for her thorough and thoughtful review of my earlier economic assessment.
2. I have since updated the analysis for my evidence in chief, so some of her valid comments on me using outdated data have already been addressed.
3. Ms Bradley focuses on the NZ Treasury and NSW Treasury methodologies for social cost benefit analysis, and suggests my approach does not meet its standards.
4. However these CBA methodologies relate to social cost benefit analysis for major government projects such as roading infrastructure.
5. As far as I am aware, there is no requirement to use such an approach for resource consent applications by private businesses.
6. Under social cost benefit analysis methodologies, the objective is to prepare a single report that outlines all of the relevant social costs and benefits, economic and non-economic, quantified and unquantified. Various options in terms of design are explored. This allows Ministers to examine key trade-offs looking solely at one document.
7. This is a very different situation to a hearing such as this one, where we have a range of subject matter experts presenting their perspectives in separate pieces of evidence, and a hearing panel that is required to weigh all of these pieces of evidence up as it seeks to come to its opinion. Economics is just part of the picture.
8. Many of the unquantified costs Ms Bradley mentions (e.g. noise, amenity, pollution, traffic safety, etc.) are covered by other expert witnesses in this hearing. They are not within my area of expertise, and I note this at paragraph 74 of my evidence in chief.
9. As such, I have not sought to quantify all of them in my analysis. Commissioners will be weighing up these non-economic or external effects presented by other experts against the economic cost and benefits I have identified and quantified.
10. Ms Bradley's point about the risks of relying solely on GDP as a measure of wellbeing is not wrong, but she offers no viable alternative measure. In addition, in my evidence I have presented a range of economic impact measures (jobs, wages, exports, etc.), not just GDP.
11. Ms Bradley suggests I have not considered the counterfactual or opportunity costs of the proposed mining operation. Respectfully, I disagree. I have quantified the costs of temporarily displaced agricultural land and considered tourism effects. In my view,



these opportunity costs are small relative to the economic benefits the proposed operation would deliver.

12. Ms Bradley's view that not all of the direct and indirect jobs in my evidence will be net additional for the regional economy is a fair one. I accept there may be some displacement of existing jobs, although many roles at the mine require specialist skills so may not be immediately substitutable for jobs elsewhere in the economy.
13. In addition, the proposed operation will bring in some workers from other parts of New Zealand, expanding the regional labour force and adding to the region's productive base.
14. Additional workers could also be drawn from those not currently employed, or not fully employed, in the existing working age population.
15. To the extent displacement of other jobs *does* occur, in my view this is not bad thing. If the proposed operation generates more job opportunities for locals to work in higher paid jobs to support their families and recycle spending in the local economy, that is a positive outcome.
16. Ms Bradley flags that multiplier effects need to be treated with caution.
17. I agree in general – input-output multipliers are often used to over-inflate the economic impacts of projects because they do not take into account displacement effects and price effects.
18. However, I do not use an input-output multiplier in my evidence. The employment multiplier in my evidence explicitly takes into account displacement impacts, so this critique doesn't stack up in this case.
19. Ms Bradley suggests that mining accounting for 7% of GDP is not "significant". Again, I disagree. By any reasonable measure, 7% of an economy is significant. Paragraph 28 of my evidence in chief covers this point.
20. Ms Bradley notes I have not included any sensitivity analysis in my evidence. This is correct, but I did provide some analysis of the impacts of alternative exchange rate and minerals price assumptions on projected export revenue following the hearing in September 2021 at the request of the panel. This analysis did not change my position.

### **Coast Road Resilience Group Inc: Layperson's statement on tourism**

21. Mr Harris suggests I provide no evidence to support my view that the proposed mining operation would have no material impact on tourism.
22. My evidence in chief addresses this point at paragraphs 71-72. I rely on Ms Crawford's evidence on landscape character and visual effects to inform my assessment.
23. I also present data on how many international tourism nights would need to *not* occur in order for the loss in tourism revenue to be larger than the projected export gains from the mining operation, to help the panel understand the nature of the trade-offs involved.



24. Mr Harris provides a “what if?” thought experiment type estimate of \$6 million for the potential loss of tourism revenue.
25. That's helpful, as we can compare it to the \$67 million of additional export revenue expected from the mine.
26. Mr Harris suggests the mining operation will draw workers away from the tourism sector. As noted in my summary statement, the mining roles are largely specialised jobs requiring mining experience and specific skills. The overlap between tourism and mining jobs will be small.

## Summary

27. In summary, while I thank Ms Bradley and Mr Harris for their contributions, my assessment that the proposed operation will deliver a significant regional economic benefit remains unchanged.

**John Ballingall**

7 February 2024