PROPERTY ECONOMICS

BARRYTOWN SAND MINING

ECONOMIC ASSESSMENT

PEER REVIEW

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Client:	West Coast RC / Grey DC

SCHEDULE

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1. INTRODUCTION

Property Economics has been engaged by West Coast Regional Council (WCRC) and Grey District Council (GDC) to undertake a peer review of the economic assessment for a Sand Mining Operation in Barrytown, Grey District. The Australian mining company, TIGA Minerals and Metals Limited has applied for a resource consent for a sand mining operation in Barrytown Flats, Grey District.

The consent application is subject to Regulation 45D under the National Environmental Standards for Freshwater Management 2020 (NESFW) which requires the extraction of minerals to provide significant national or regional benefits in order for the consent to be granted.

It is the position of the Economic Expert (Sense Partners) on behalf of the applicant that the proposed mining operation will deliver significant regional economic benefits to both the Grey District and the wider West Coast Region and therefore meets this criterion.

This economic review assesses the appropriateness of the approach, methodology and interpretations of the Sense Partners economic assessment. This review will also address some of the key economic concerns raised by the submitters in response to the economic report. Ultimately, Property Economics forms a view on whether the consent application. can be supported from an economic perspective under the RMA and NESFW.

OBJECTIVE

The main objective of this report is to:

Review the Sense Partners economic assessment report - its assumptions, methodology and the economic impacts and determine whether the conclusions reached in the Sense Partners report are agreed with and can be supported from a RMA and NESFW perspective.

2. ECONOMIC REVIEW

PROPOSED DEVELOPMENT

The site is located approximately 36km north of Greymouth and is located along the Coast Road in Barrytown. The mining consent is for two parcels of land totalling 115.3ha although Property Economics understand that the mining area covers only 63ha of this area.

According to the application the black sand leads contain concentrations of ilmenite, gold and associated heavy minerals (epidote, garnet, titano-magnetite, zircon and trace monazite). It is the intention of the applicant to mine the sand for these minerals and export them, bringing in an estimated $63m in export revenue once fully operational.

The main Sense Partners report is an overview of the economic impacts with an appendix that expands upon the methodology and assumptions used in the assessment. For the purposes of this review, we will consider each section in reference to both the overview report and the expounded explanations in the appendix.

JOBS, WAGES AND SPENDING IN THE LOCAL ECONOMY

The Economic report states that there will be an estimated 57 full-time equivalent jobs for people employed across the mining site and in a separate office in Greymouth and 80 further indirect jobs elsewhere in the local economy.

This estimate of 80 indirect jobs is based on a ratio of 1.4 indirect employment for every mining job that was estimated in an Australian research report in 2014. Hague, K. G questions the validity of using this Australian study and suggests that there are vast differences between the Australian context where some regions are heavily dominated by the industry and the Grey District context where it represents only 1% of jobs.

However, the Australian research in question suggested that the local job multiplier average across the entire country is seven new jobs per mining job and the estimate of 1.4 was based on regions with existing operating mines. Consequently, this suggests that if the Grey District does have a proportionally smaller mining industry than the comparative regions, the multiplier would be higher rather than lower.

The report suggests that "jobs are hard to come by" in the West Coast reporting that there are 1,000 fewer jobs in the West Coast in 2022 than a decade ago. There is strong disagreement with this point from submitters with Wild Coast Limited (submission #147) suggesting that in his experience as a business owner "Staff are hard to come by" (as opposed to jobs).

Notably, the drop in employment over this 2012-2022 period according to the StatsNZ Business Demography data was 1,800 which is larger than the 1,000-reduction asserted by the report. The region is growing in other sectors however and although there was a significant loss of employment in 2021-22 due to COVID-19, employment in the region grew by 900 jobs between 2022 and 2023 according to the recently released stats.

Similarly, Hague, K (submission #172) refers to the West Coast as having one of the lowest unemployment rates in the country. According to the StatsNZ Household Labour Force Survey, the Tasman / Nelson / Marlborough / West Coast region does in fact have the second lowest unemployment rate of only 2.4% which is significantly below the NZ average of 3.9% for the September 2023 quarter.

Regardless, additional jobs and employment opportunities in an area can rarely be considered an economic cost. Typically, we would expect workers and households to migrate to locations where jobs are available. Some submitters suggest that the additional employment opportunities will either exacerbate an existing housing shortfall or redistribute employment due to the high unemployment rate, thereby creating gaps in other sectors.

Property Economics considers it is not economically beneficial to discourage activities that grow the district economy on the basis of housing affordability. As clearly directed by the central government, the solution to the housing crisis is increasing the supply of housing and removing barriers to development, rather than discouraging job creation.

The Beachstones Partnership (submission #206) anecdotally states that the project manager admitted to them that it is unlikely that all 57 jobs will be filled by local residents. They suggest that the mining operation will have to rely upon flying in skilled workers "fly in and fly out" to fill the jobs. This is similarly echoed by Hague who mentions the Grey District having a housing shortage as a constraint on the ability for workers to live locally.

Although non-resident workers invariably contribute less to their local economy than local workers, it is not practical to legislate on this issue. In Property Economics' opinion, the 137 direct and indirect jobs that the mining operation can be considered a boost to the local economy. Even if a portion is "fly in and fly out", those workers will still spend time in the Grey District and spend some of their incomes locally. However, Property Economics considers the majority of workers will either be existing locals or people who move to the district.

Hague questions the validity of the 57 direct jobs suggesting that this number is improbable. Beyond the information provided by the applicant, it would be unreasonable to expect Sense Partners to justify this employment number.

Property Economics considers the 57 direct job estimate is at the very least in the ballpark of the employment we would expect from a mining operation of this size. As a point of comparison, Infometrics[1] estimates that the Mining Industry contributes around $182m to the West Coast's GDP and there are 662 Mining Employees according to StatsNZ Business Demography.

Property Economics agrees with Sense Partners' assessment of employment contributions.

[1] ecoprofile.infometrics.co.nz/West Coast Region/Gdp

ESTIMATES OF CONTRIBUTIONS TO GDP

According to the modelling from the applicant, the operation will generate around $63m of annual export earnings once fully operational. The report discusses the losses of international tourism suggesting the market is struggling to recover from COVID-19 based on the 2022 data.

Although we appreciate Sense Partners may only have had access to 2022 data at the time, it should be noted that the recently released employment count for 2023 suggests the tourism sector is quickly recovering (28% increase in the Accommodation and Food Employment Sector between 2022 and 2023). We therefore agree with Wild Coast Limited's submission that this point is perhaps 'outdated'.

Likewise, if we consider that International Tourism is likely to rebound within the near future, the $63m as a portion of exports for the West Coast is likely to be slightly reduced but still significant 6% of total exports for the region. This represents a relatively small difference with the report suggesting the proposal will boost export revenue by 8.3% per year based on the 2022 export of $761.3m.

The report states that the applicant expects to spend $6.6m on employee wages and salaries and $27.4m in Operation Expenses. The report also states that "*aside from the initial capital expenditure on imported plant, it is only the returns to capital or profits that will end up leaving the regional economy to overseas owners. This will compensate them for their financial risks*." (para 28).

The report then goes on to identify that the mining operation will directly generate $33.7m in additional GDP per year once fully operational. It would appear that this based on the national input-output tables published by StatsNZ. According to the national average, the Metal ore and non-metallic mineral mining and quarrying industry contributes $916m in value-added GDP out of a total of $1.7b in total output. This equates to a ratio of 0.53 which appears to be where the $33.7m estimate has been derived.

In Property Economics' opinion, this national average is unlikely to provide an accurate estimate of the regional contributions to GDP. If this were the case the value-added figure could overestimate the contribution to regional GDP as there are inevitably values that are captured nationally that would not be represented regionally.

Additionally, a few submitters object to foreign ownership and suggest that the repatriation of profits overseas diminishes the economic contributions to the region. The reality is that we cannot know what portion of this Operating Surplus will go overseas versus what will be reinvested in the community. The report mentions the applicant plans to build a Minerals Separation Plant although this is separate from the consent in question. Nevertheless, the profits that do go overseas do represent a portion of this GDP contribution that will not benefit the West Coast Region.

As a conservative point, it is unclear whether the report has considered induced contributions to GDP. Induced economic benefits are measured in terms of the additional income that will be spent in the area due to increased business activity. Similar to where the indirect labour generated by this consent was in a sense a "multiplier", economists consider the multiplier effect on economic injections whereby the resulting contributions to an economy far exceed the direct spending. Consequently, Property Economics considers there are factors that both increase and decrease the economic contributions estimated by Sense Partners.

Finally, the report discusses the contributions to Government Revenue. According to the report the applicants will have to pay a levy equating to $1.5m per annum (2.5% of net sales) and an additional $5.5m in business tax. This represents an economic benefit to New Zealand but not necessarily to the region.

On the whole Property Economics is of the opinion that the results of the report with regard to regional contribution are likely to be within reason and represent an appropriate consideration of regional economic value.

ECONOMIC COSTS

The report identifies two key economic costs associated with the proposal, the opportunity cost of a reduction in productive farming revenue and the potential loss of tourism as a result of the environmental impacts.

In both cases, Sense Partners have assumed there will be no ongoing impact from the mining operation. Property Economics understands as part of the consenting application the applicant will take restorative works.

The report largely dismisses the impact on tourism, stating that the "mining footprint is tiny relative to the West Coast's total land area". However, this ignores the reality that some sections of land will have a greater impact on tourists' perception (i.e. the applicant's land located adjacent to the Coast Road) compared to the large tracts of rural and mountainous land that make up the majority of land in the district.

This is a significant issue raised by several submitters. For example, the Coast Road Resilience Group (Submission #175) discusses the importance of West Coast's "Untamed Natural Wilderness" strategy and Coast Road is reportedly singled out by Lonely Planet as an iconic coastal drive.

It is impossible to assess the likely economic impact on tourism of a mining operation such as this. It is Property Economics understanding that as part of the consent, the applicant will be undertaking remedial measures such as planting strips to minimise visual impact. On balance, Property Economics agrees with the report's conclusion that even if there is an impact, it is likely to be minor and significantly outweighed by the economic contributions of the proposed mining operation.

3. SUMMARY

There are inherent difficulties in assessing and estimating the economic impacts associated with a development or activity that has yet to occur. Although Property Economics considers there are some limitations in the report, overall, we believe it has provided sufficient evidence that the application would constitute a regionally significant activity.

The mining operation will generate an estimated 57 jobs directly and an additional 80 jobs generated indirectly as a result of the operation. Furthermore, although we query whether the $33.7m constitutes an appropriate estimate of the regional impact given its reliance on the national input-output tables, we believe that it will still provide a sufficiently large economic impact to constitute a regionally significant activity for the West Coast.

It should be noted that the NESFW does not define regional significance which makes it a matter of opinion. Some of the submissions such as Beachlands Partnership (Submission #206) state that "*We do not believe that 5 years mining for $63m is sufficient financial gain to satisfy Reg 45D (6) and that the adverse effects of this would far outweigh the earnings*."

From an economic perspective, Property Economics would disagree noting that the $63m of export earnings is annually and that total earnings over the 5-year period is reportedly $274m.

It should also be noted that although the proposed Mineral Separation Plant is discussed briefly in the report, the assessment of economic impacts upon which these conclusions of significance have been based do not rely upon its development.

The report identifies two key potential economic costs, a loss of productive farming revenue and a potential impact on tourism. Both of these impacts are considered to be minor and far outweighed by the mining operation. Property Economics is satisfied with the report's conclusions.