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NZFOA The Forest Harvest Roading Workshop

Bunker Lounge, Miramar Golf Course

9th May 2005

Draft report

Workshop Objectives

1. To increase understanding of the location and volume of harvesting trends over the next ten years on a district by district basis.
2. To examine the impact on district roads by forestry land use compared to other land uses.
3. To explore the options for funding of district roads for logging truck traffic.
4. To discuss the standard required for pavement strength and safe geometry for logging truck traffic (i.e., "fitness for purpose")

Summary from Workshop

Approximately 50 stakeholders attended the workshop representing the forest industry, local government (TLAs), central government (including Transit NZ, Ministry of Transport, Ministry for the Environment, Land Transport NZ, Ministry of Agriculture and Forestry, and consultants. The workshop presentations have been placed on the NZ Forest Owners Association website (www.NZFOA.org.nz). Key points from the workshop follow:

1. Most of the roading issues are not new.
2. Despite the current slow down in harvest, the wood is still coming and we can expect 30 million m3/year on roads within 10 years.
3. Increases will be particularly in some areas, I.e., Northland, Gisborne, southern North Island, Marlborough – and roads are inadequate.
4. We shouldn't rely on "availability forecasts" as more detail is required for tactical planning – scenarios can be modelled. There is a case for regional wood flow models that are continually updated.
5. Roading costs are high and likely to go higher as demand exceeds supply of resources.
6. In some cases road service standards are too high. There is a need for common sense and understanding. In some circumstance the industry needs to negotiate with the regulators for lower upfront costs (e.g., engineering). There is precedent for this position.
7. There is also a precedent with Transfund to negotiate for flexibility to set subsidies on repairs at the same rate as roading capital costs.
8. Rating issues are big in some areas as TLAs lack funds. This is partly because forestry land values are declining.
9. Differential rating is being introduced into some districts, which may produce problems if politicians simply end up making decisions.
10. The negative perception of forestry is an issue and influences political decisions. Some councils very supportive of forestry but why not all?
11. The impact on roads is mainly a function of axle weight and frequency of travel, not land use per se.
12. Forestry needs to be more aware of local government process and vice versa
13. Long-term Community Consultative Plan (LTCCP) consider more than just economics and also pay attention to safety, access, public health and environmental sustainability
14. A key issue to address is reducing the politics in decision makingThere have been some roading success stories – Northland, Tairawhiti – and good models to follow.
16. Need to continue to tap into Regional Development Fund (RDF). $20 million/year is available and should be targeted at key areas.
17. There is also "R funding" to tap into.

Introduction

Forest roading issues have been with us for some time and progress has been made in some areas. This workshop provided an opportunity to bring key stakeholders together to discuss current issues and to develop an action plan to make progress on these issues in the near future.

The workshop focused on some of the key issues, discussed current knowledge, and developed a plan to go forward.

This report captures the highlights from the workshop and main points of discussion. A series of "action items" is included and these will be addressed over the next few months to a year.

Workshop Programme and Discussion

Opening Comments: Robin Dunlop – Secretary for Transport

- There is a NZ Transport Strategy – with 5 objectives – and economic development is only one of these
- There have been plenty of past studies – but these have always run into potential problems
- We need to think of alternatives to roads (e.g., barging)
- Can we be more innovative to get logs out – doesn't always fit with market interests but…Summer logging vs winter for example.
- Get real issues on the table.
- It's your problem.
- Regional money – 1st April – $2 billion over 10 years – try to get some of this. Need to bid for this through the Transport Committee when they are doing prioritisation.
- Safety area – have workshop on road safety – looking for local solutions rather than central imposition

Questions

- How long does it take to get money? A - (too late this year) – need to gear up for November this year to be ready for 1 July next year.
- Govt view? A - No view.
- Rail with Toll ownership – any change? A – too early to really say. Need to look at rail opportunities though.
- RDF funding – flexible approach? A – talk to LTNZ to get the answer – later in morning.

Forest Harvest Trends NEFD Forecasts – Paul Lane, MAF

- Basically looking at 30 million m3 in 2015 and more later.
- PL doesn't get much interest in his database for roads, probably because it is produced at a strategic rather than tactical level.
- The forest estate is currently around 1.8 million ha and the current cut is around 20 million m3 or just over.

- Despite the slow down in harvest, there is no doubt that more wood is out there as the trees are in the ground.
- CNI – 50% of current cut – and static – 10 to 12 mil m3 but currently around 8.
- Gisborne doesn't feature in 2004 cut, but will.
- Northland going from 2 to 4 million including Rodney.
- Also should expect more wood from parts of the southern North Island and Marlborough
- Many of these regions have poor quality roads.
- The trend is towards increasing forest age, as cut is reduced while market is down, and this will mean more valuable logs in the future.
- Infrastructure investment has lagged but there is no time for complacency.
- Harvesting intention studies – 5 to 10 years – have been done – see NEFD website
- Similar studies in other regions by consultants – e.g., Gisborne
- Bulk of forest still owned by large companies – 70% - varies by region.
- CNI – 90% large company ownership. Southern N Is – 40% large companies.
- Website will be produced that will show areas coming up for harvest.
- Forecasts available – being updated – onto website.
- New forecasts by end of 2006; new reports will have more information on things like ownership and processing capacity; more regions; owners intentions – cutting – to be included; new yield tables and forest area data; pure supply = "availability forecasts" – doesn't mean that the forests will be cut. But, they are just forecasts.
- Gisborne example: current cut around 800,000 m^3; 3.8 million m^3 by 2022. Region characterised by high roading costs; Ernslaw 1, Hikurangi, Forest Enterprises, etc initially for harvest – later Roger Dickie, Evergreen forests
- PL advises TLAs to employ an experienced planner – consultant – to assist with roading planning. There is no shortage of information and the industry is well understood by consultants.

Questions

- Q – NEFD not used much for roading planning because it doesn't provide the detail – because data is commercially sensitive – but will refinements improve this detail? A – hard one; NEFD is more strategic and can't get into tactical planning; yes, commercially sensitive – best to ask companies
- Q – harvesting levels will be dictated by economics of industry – so really need to consider this in predicting harvest levels. A – yes. Need to see companies for this information. Private consultants could develop some scenarios to improve predictions depending on economics as well as supply availability.

Road Usage in the Forestry Cycle - Peter Clark, PF Olsen Ltd

- Consider a 300 ha forest. Initial truck movements to improve roads for tending, then build better roads and skids for harvest. Average over rotation – 1 truck/day and 1 light vehicle/day – but a lot more at harvest. Compared to other land uses: Truck movement for pip fruit >forestry.> kiwi > dairy. But that's for a 300 ha block. Dairy much greater in general because partial loads.
- Forestry does not place any higher demand on roads than other rural products.
- There is a concern that funds collected from forest land rates applied elsewhere.
- Pete's survey of LA's. LA's use a wide variety of sources for information – satellites, surveys, not NEFD, some areas forestry companies very pro-active supplying information.
- Forestry companies said that most LA's responsive to needs when enough notice given.
- Formal process of discussing needs and setting priorities between companies and meetings with LA to allocate Regional Development Funds was positive.
- There is a need for better information. There is only a vague understanding of where the next pressure point will come - e.g., roads cutting up. The big picture is generally understood but TLAs are surprised at detailed block start ups in some cases. More notice needs to be given
- Good communication is key. People need to know what to expect. Traffic levels etc
- The industry also has problems with bridge certification as this is often a tardy process (7 to 8 days) to securve overweight permits. Forestry operations have to respond quickly.
- Damage can be extensive on low-strength pavements. Local share to fund upgrades or even minor safety works is the real issue for sparsely populated LA's
- Re-active rather than pro-active rules apply to NTNZ funding decisions
- Civil engineering capacity is at full utilisation, which drives costs up.
- Action required – survey of likely wood flows – for some LA's; an opportunity for more planning consultants
- Regional Transport Strategies – need wider consultation to expand scope of study
- Forest owners should provide TLA's with 5 year rolling wood flow forecasts annually.
- How to capture woodlot loggers is a problem – will increase as a problem as the economy improves.
- To be internationally competitive we need to get our transport costs down. Weights and dimensions a big issue.
- International competitiveness is the outcome we are looking for.

Questions:

- Q – on weights and dimensions and public perception issue A – bigger loads fewer trucks – public education part of the answer – and roads need to be safe; problem with urban based society. Selling benefit of what we do needs to be improved.
- Q – public perception – 0800 number an example of trying – PC – the frequency of truck rollovers has declined dramatically
- Q – on impact of tour buses on roads – A – PC not aware of details; but tourism does have a high environmental footprint
- Q – from Marlborough rep - disputes misuse of rates away from forestry land; A – PC – yes rural roads do need to be subsidised by urban rates; maybe the problem is that not enough money has been collected prior to harvesting phase
- Q – district engineer – Sth Wairapa – difficult to justify good pavement for harvesting period only – also problem negotiating with forest owner who wants to harvest only in winter – some forestry companies don't consult; dairy farmers use the same road several times a day every day – whereas logging peaks; PC – pushing for lower costs all weather roads; PC – can build roads for less than $60K/km

Session: Planning, Funding and Rating for Roads

1st Presenter: Peter Higgs – Southland District Council

- Framework for council operations – NZ Transport Strategy; Transport Act; Energy Efficiency strategy etc. Roading – Local Govt Act, and LTMA – have to ensure an integrated approach considering all objectives
- LTCCP – long term community consultative plan – doesn't just look at economics – social, cultural, environmental
- Activity Plan – levels of service community desires; outcomes; Plans allow differential charging and services, more transparent decision making
- LTCCP and Activity Management Plans – 10 year programme of work – looks at activities and impacts – lots of consultation – considers Energy Strategy and Transport Strategy.
- Rating options – land value based rates, capital value based rates, targeted rates
- SDC has largest road network in NZ – 5000km; $280/person – 46% of Council costs; 5000 km total – 3000 km unsealed
- Targeted rates = differential rating; Rates are calculated based on criteria that allow a differential between types – a common criteria is land use type
- Price Waterhouse + x developed the model; Includes road cost allocation, road use, land value = model output; 5 land uses – including forestry, residential, dairy, sheep/beef, cropping; Vehicle type – light, heavy, moderate

- Legal issues – it is permissible to use land use categories in differential rating; issues of multiple land use rating; various procedural requirements including consultation.
- Economic issues – targeted rating creates winner and losers.
- Problem – much information not available for the model – but good consultation with forest industry; The model is sound – but better data needed – e.g, trip data\
- For next year's rates: big difference for forestry = $541 Target rating – land value rating. Farming actually goes down $97; Dairy up $354
- Based on land value forestry would contribute 3% and 4.5 % based on targeted rating. 20 vs 25% for dairy
- Current issues - calculations based on life cycle; forests need to be harvested now and need money now to improve forest roads – therefore have a deficit now. Can't rely on a change to targeted rating.
- The council is moving towards the differential rating that the model is suggesting: forestry has moved from 2.5 to 3 times ($30K/yr increase in total); commercial from 4 to 8.

Questions

- Q – what happens if forest owner decides not to replant and goes to scrub; A – land use could be changed and value of land would also change
- Q – looks like you are trying to discourage forestry? A – hasn't been a big increase; Chairman – no one wants to discourage forestry but $298,000 collected from forestry doesn't go very far to upgrade roads and maintain all forestry roads.
- Q - But – need to go to base rate before differential rating started. Shouldn't just look at 2.5 to 3.
- Q - Also – despite the model – in the end it's a political decision by the council to increase the rate to forestry if it wants to
- Q – Dairy; last year 1.5 and this year 1.5 (in draft annual plan); Why? – background to this that it had already gone up from 0.8; The gut feel is that forestry trucks damage roads – and you only have to drive the roads to see that it is true.
- Q – how to make the model more robust? A – forestry sector okay; a lot of roads under strength – need a better understanding of the impact of a high number of vehicles over a short time. Could also lobby Govt for regional money - but need local money to match this.
- A - We need to focus on issues we can something about. Forestry needs to understand issues of Local Govt. Quotable Values sets valuations. Forestry keeps going down. Relative to rate take it goes down even more as coastal property values go up.

Session: Planning, Funding and Rating for Roads (cont'd)

2nd Presenter - Wayne Dempster – Rayonier

- Safety and Environmental Manager – also representing Sthn forest owners

- Seeing subjective comments in council minutes where one councillor doesn’t want forestry rates to stay the same.
- There is a need for a really strong consultative process – should have started earlier in Southland.
- Dairy, tourism, forestry and heavy traffic going up – but population declining.
- For Southland – forestry and other industries couldn’t get involved in consultation until about a year after basic decision to push differential rating made
- Note – southern forestry companies don’t have a major problem with differential rating – unlike national office
- Equivalent trip length in factor a major issue that needs to be sorted
- A lot of work went in by industry in the consultation process to show that trip length wasn’t calculated properly. This was taken into account, but the differential rate went from 2.5 to 3 anyway.
- No issues with the model in principle, but deficiencies in model: trip length estimates – more work needed; data might not be all that applicable; some data old; assumptions might be out of context – these according to the author.
- Equivalent Trip Length Factor – based on what the person managing the model thinks about potential impact of a land use on a road relative to other land uses.
- What is consultation? In this case it was pretty well “cooked” in advance.
- No LTCCP draft involvement – but other councils were invited to be involved.
- Model information not supplied initially; no evidence of economic effects being assessed.
- The bad – consultation; Central govt tax take not fully reinvested in Regional Road Infrastructure; take two bites at some sectors (growers and processors) – even if forests are on state highways they pay full rate; $ impact on one company
- The Ugly – potential for political interference; may drive undesirable land use change; Equivalent Trip Length Factor
- Want to see the model and the way it is used improved.
- Petrol Excise tax is the one that goes into the consolidated fund – not the tax that truckers pay – that goes back into roads.

Session – Government Road Funding

1st Presenter - Ian Hunter – Land Transport NZ

- NZ Transport Strategy and Land Transport Management Act
- Objectives of NZTS: Economics, safety, access, public health, environmental sustainability are all equal objectives
- Need to be accountable, forward thinking, collaborative, and evidence based;
- Coordination of funding
    - National available funding- petrol and road user taxes – distribution based on the 5 objectives ($1.2 billion/yr)

    - Regionally distributed funding – population basis- runs for 10 years – can do certain things: Process – as for NAF – but there is an account for each region. Applied to projects based on Regional advice on priorities;
    - Crown appropriate – Auckland and Wellington
    - Regional development funds for Northland and Tairawhiti
    - Ability for tolls
    - Etc
- Prioritisation – need to know urgency; how effective is proposed solution; how efficient; confidence/risk (this process used to be just pcr based – economics)
- Can fund projects with a lower economic justification if the whole region is behind it and agrees – e.g., the RDF and other crown funding
- Best opportunity for forestry to have an influence: - when regional land transport strategy being developed; developing LTCCPs and land transport plans; developing state highway and rail network plans; starting to formulate solutions;
- Constraints applying to new funding streams:
    - Crown and non-crown funding streams must be integrated into a single NLTP
    - LTNZ is statutorily independent in determining which activities to fund
    - LTNS maintains the ability to repriotise if councils aren't ready to use the money
    - RDF should be fully committed within the 10 year period (or at least started)
- Implications to the forest industry
    - Can only fund approved organisations – like LA's, TNZ, Regional Councils, DOC
    - Only fund from LTCCPS
    - Fund – road maintenance and improvement; passenger transport operations, walk and cycling, alternatives – barge etc
- Suggestions
    - Talk to LA's
    - Become involved in LTCCPs
    - Be realistic in expectations

2nd Presenter - Derek Colebrook – Northland Regional Council

- Has been involved in RDF since 2002. They have made it work – encourage additional investment – forestry example; reduced transport costs
- Initial reluctance for industry to get involved – wasn't clear it was for roading.
- Northland Integrated Transport Study and then Regional Land Transport Strategy and there is Northland Transport Working Group (NTWG).
- NTWG – meets several times a year – obtains the most up to date harvesting intentions; communicate to TLAs; cost effective transport;

agreement on preferred routes; advise on ATR projects and likely uptake by forest industry; confidential database; (wood lot loggers would have to go through this working group to find the wood)

- Northland Govt bodies now recognise NTWG as the group they consult for RDF projects
- Assessment process followed: Can alter the RDF programme as market changes. TLA's have power of veto over changes invariably driven by the forest industry
- Has developed a roading plan for next 5 years.

Questions

- Q – can consultant costs go in to application? A – yes – for investigative design
- Q – level of new wood processing? A – Yes – expanding – TDC super mill; pretty bullish in Northland.

3rd Presenter - Peter Farley - Consultant

- Coordinator for Tairawhiti in Northland
- Challenge to pick up the continuation of the RDF – has been going for three years now – and will have soon knocked off the critical roading stuff in Northland; The only reason it got through was because of Palenato and Anderton driving it through. Needs political support! We're talking about $20 million/yr.
- Wall of wood perception helped. Also perception of more processing and more employment – not relying on log trade.
- Northland and Tairawhiti also depressed and needed help. Also a small rating base. Not enough to fund the work.
- Funding was for just over three years for this project (?).
- RDF will almost certainly continue through 07/08 and most significant work will be completed by 06/07. Other projects should compete for this – Easter Bay of Plenty logical place. But, looks like mainly local blips in EBOP. Need to look for the continuous wood flows.
- Use the system!
- Timetable:
    - Have to get project mentioned in Regional Transport Plan – even if it is a few years out
    - July publication so June approval at very latest; LTNZ staff have to have this by about March; so LA's reps and industry reps have to have it sorted as to work requirements by Dec; assuming design is worked out before this. So basically need to have things started 12 months in advance.
    - This might look at construction starting in Sept – finishing in July – which means planning starts 2 years before the road is needed

Questions

- Ian Hunter – timetable probably right for most projects but for RDF – Oct/Nov – 1st draft; there to the end of June to finalise National Land Transport Programme – but can now be added or subtracted through the year – and the NWG can advise as to what changes are needed and if everyone agrees it can happen.
- Q – is the award really for new processing not log ports? A – really focussed on access to forests, but yes new processing gets priority, then upgrading existing processing, then log ports, and other benefits
- Q – on highway-based forests – A - Yes – even some highway-based forests can be put up where access is a problem.

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more to come

Conclusion

- The NZ forest industry is greatly exposed to international competition and transport costs are high and need to come down.
- The industry needs to work closely with councils to achieve a shared understanding and work towards a common goal.
- Government funds are available for roading costs and should be procured.

Action Items from Workshop
(note – this is draft)

The proposed Action Plan follows:

1. Identify key roading issues by district and prioritise.
2. Establish working group(s) with local stakeholders.
3. Develop the case for Regional Development Funds (RDF).
4. Develop a process to collect better data for models and work with TLA's to improve model predictions.
5. Consider development of regional woodflow models that are continually updated for tactical planning purposes.Work to get roading costs down? E.g., point 7
7. Lobby for less demanding requirements in plans and procedures for roading in some circumstances. These present barriers of entry for contractors for roading construction.
8. Lobby for similar subsidies on repairs as capital costs – where an explicit decision is made to accept more risks if risks materialise (deferred contingency capital item).
9. Develop a plan to tap into R fund?
10. Identify where it is appropriate to work with other stakeholders (e.g., Dairy) to become engaged with councils on roading issues (e.g., truck weight limitations). Perhaps through the Regional Land Transport committee.Plan to engage with councils in LTCCP, Including discussions on differential rating.

12. FOA to ensure cooperation amongst members.
13. FOA to work to ensure that RDF review in early 2006/07 is positive.