Peter Higgs
Southland District Council

Roading

Planning, Funding and Rating

The Framework

- **New Zealand Transport Strategy**
- **Regional land transport strategies**
- **LTCCPs**
- **Roading asset management plans**
- **Annual land transport programmes**
- **District plans and financial contributions**

Change of Emphasis

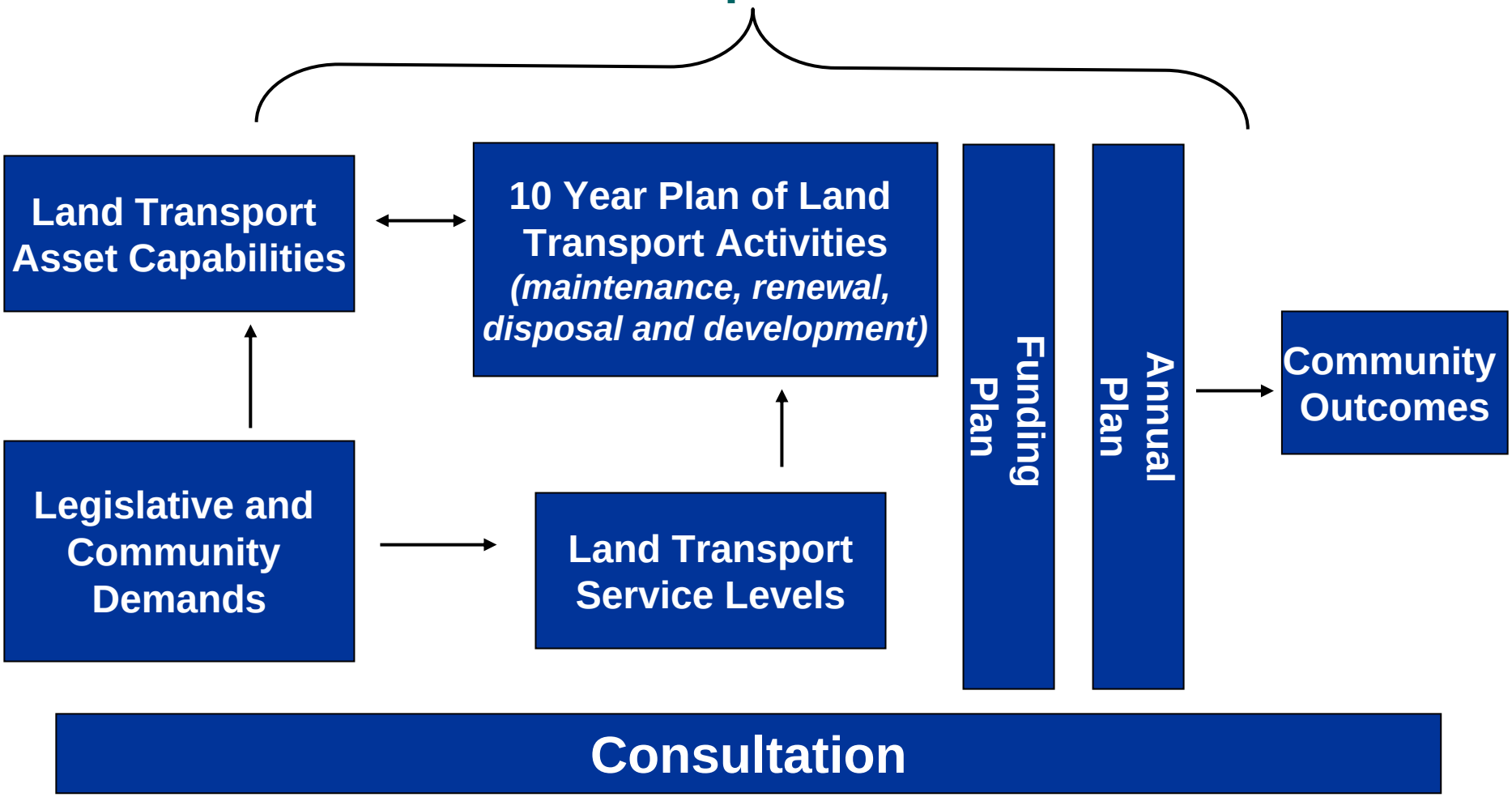
The LGA and LTMA both signal a shift towards land transport activity management rather than asset management

- **Activities are needed to meet community outcomes under the LGA**
  - ***Activities are both specific projects and also wider functions***

- **The LTMA looks to an integrated approach to solving land transport needs**
  - ***Integration of Objectives, Policy including Pricing, and Modes and Infrastructure***

Planning

Simplified Activity Management Plan Development



Identifying Costs

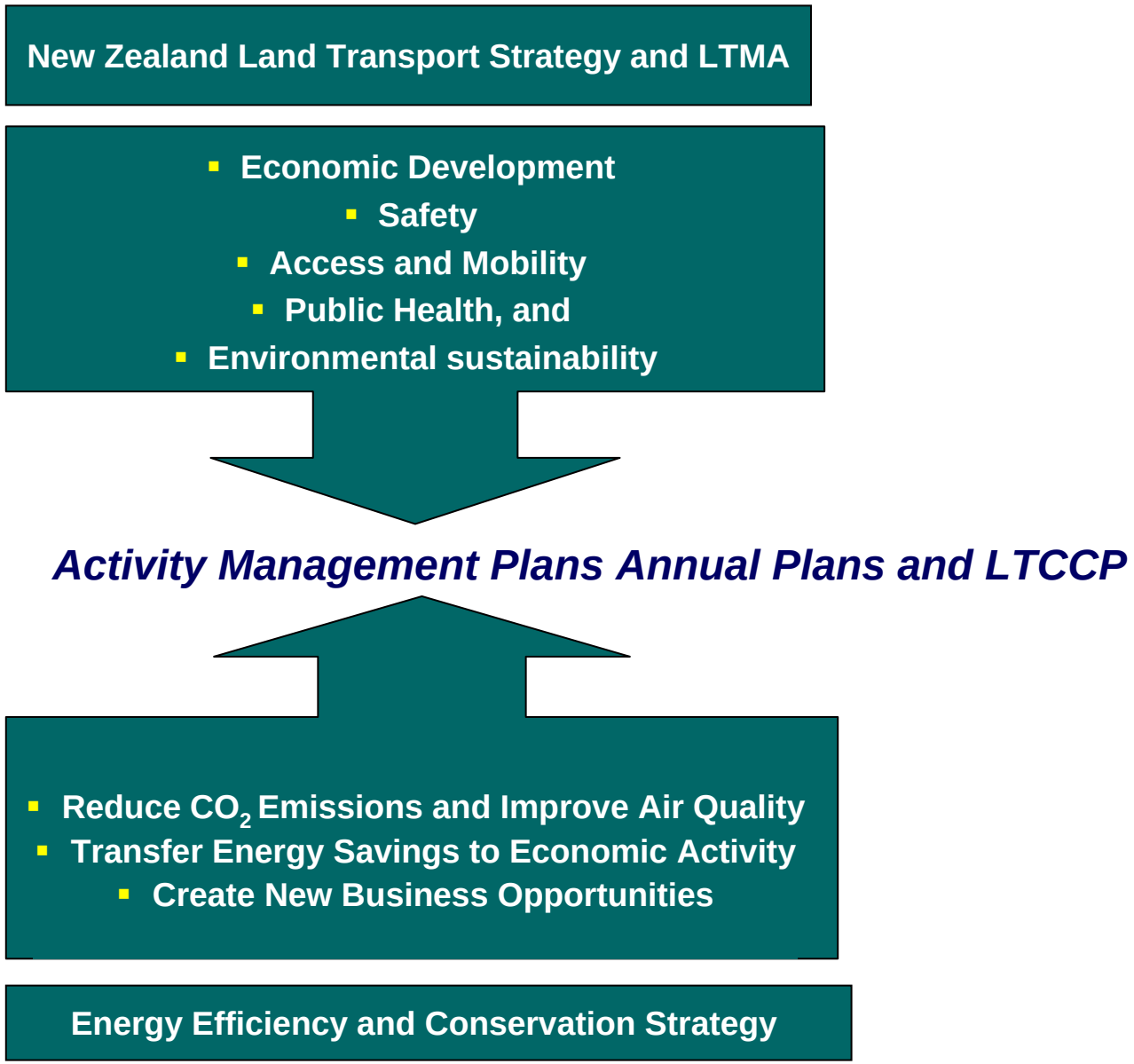
Robust plans will help identify the service level costs

This will allow

- **Differential charging and/or services**
- **Justifiable development contributions**
- **Transparency in decision making**

LTCCP

THE LTCCP and Activity Management Plans need to address the wider legislative drivers



Rating Options

Planning, Funding and Rating for Roads

- **Land Value Based Rates**
- **Capital Value Based Rates**
- **Targeted Rates**

Context

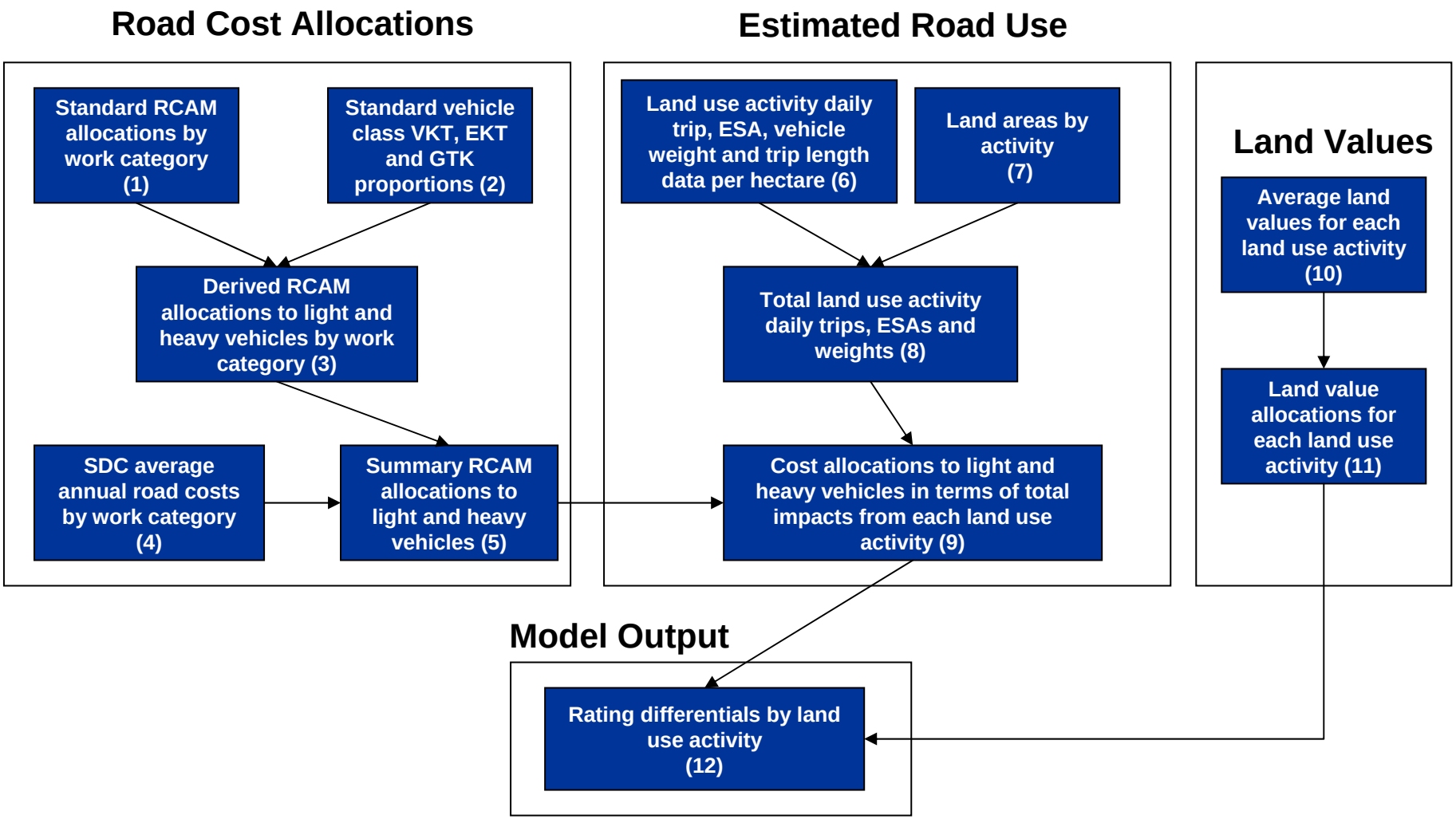
- **SDC has the largest road network in NZ totalling approx 5000 km**
- **Operating cost budget for roads in 2004/05 of over $20 million**
- **This represents over 46% of total cost of Council services**

- **$280/person**

Targeted Rates

- **Rates are calculated based on criteria that allow a differential between types**
- **A common criterion is land use types**
- **A link is made between the land use type and the impact on roading from that land use**

Categories


Road Cost Allocations
Standard RCAM allocations by work category (1)
Standard vehicle class VKT, EKT and GTK proportions (2)
Derived RCAM allocations to light and heavy vehicles by work category (3)
SDC average annual road costs by work category (4)
Summary RCAM allocations to light and heavy vehicles (5)
Estimated Road Use
Land use activity daily trip, ESA, vehicle weight and trip length data per hectare (6)
Land areas by activity (7)
Total land use activity daily trips, ESAs and weights (8)
Cost allocations to light and heavy vehicles in terms of total impacts from each land use activity (9)
Land Values
Average land values for each land use activity (10)
Land value allocations for each land use activity (11)
Model Output
Rating differentials by land use activity (12)

SDC Model

Analyses impacts on roading from each land use type on a per hectare basis, calculates the number and types of trips generated by each type:

- **Forestry**
- **Dairy**
- **Cropping**
- **Sheep Farming**
- **Residential**




SDC Model

Calculates the maintenance and renewal costs associated with each trip type

- **Light**
- **Heavy**
- **Non-vehicle** ***(environmental)***

SDC Model

Analyses the land value relationship on a per hectare basis

- **Calculates the differential to be applied to the land value to equalise the impact**



Legal Issues

- **Definition of land-use categories is permissible**
- **Calculation of rates by reference to the area of land within the rating unit is permissible**

- **Issue of dealing with multiple land use rating units *(option of relying on principal land use)***
- **New rates must be consistent with, and provided for, in the Council's Funding Impact Statement**
- **Various procedural requirements**

Economic Issues

- **Targeted rating will create winners and losers**
- **Economic Impact should be assessed, but this is a significant task in its own right and is constrained by data limitations:**

  - Data by type of activity generally not available at the regional level *(e.g. Annual Enterprise Survey is not published at a regional level)*

  - Data at regional level not to be broken down by activity/land use

- **Definition of costs focuses on fully allocated costs *(traditional approach).* Other options include short or long run marginal costs.**
- **Rates are a relatively blunt funding instrument - this lessens the need to focus on marginal costs *(short or long-run)***

The Model – Points to Note

- **The model itself is sound and uses well-established methodology and structure that has been applied and tested in several contexts**
- **Model results depend on quality of data and assumptions used**
- **Model is for SDC as a whole – modeling smaller areas would require much higher confidence with data inputs**
- **There is scope for further work around trip data – particularly trip estimates for industrial and commercial land use**
- **The indicative results generated by the model are are snap-shot in time and are based on historical rather than forward looking data**
- **As land use patterns change, and land values change, the model would need to be re-run**

Indicative Results

Land Use Category	Average Estimated Contribution to Roading Rates by a Ratepayer *(per annum)*		Variance *increase / (decrease)*
	Based on Land Value	Targeted Rating	(per annum)
Dairy	$ 1,393	$ 1,747	$ 354
Forestry	$ 414	$ 955	$ 541
Farming	$ 689	$ 592	$ (97)
Industrial	$ 127	$ 426	$ 299
Commercial	$ 177	$ 417	$ 240
Residential	$ 118	$ 112	$ 6

Capital Value Sensitivity

Estimated Share of Contribution Toward Road Costs (%)				
Land Use Category	**Land Value**	**Land Value With Targeted Rating**	**Capital Value**	**Capital Value With Targeted Rating**
Dairy	**19.7**	**25.0**	**17.4**	**19.9**
Forestry	**1.8**	**4.5**	**1.3**	**3.0**
Farming	**72.3**	**61.0**	**61.4**	**46.8**
Industrial	**0.4**	**2.6**	**2.1**	**12.7**
Commercial	**0.8**	**2.7**	**1.7**	**5.2**
Residential	**5.0**	**4.2**	**16.2**	**12.3**
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**

Current Issues

- **Calculations are based on life cycle calculations**
- **Assume the rates are collected at that level for every year from year one**
- **Reality is forests are nearing harvest now**
- **Roads need to be strengthened now**
- **There is a rates deficit now**

Real Life Example of Issue

An example of forests' effects on sealed roads
Case study - Clifden to the Blackmount Hill - 37.5km

HISTORY	
Seal widened prior to 1990	**13km**
Seal widened since 1990	**12.8km**
Shape correction/rehabilitation since 1990	**11.7km**
Total work done	**37.5km**

Real Life Example of Issue

An example of forests' effects on sealed roads
Case study - Clifden to the Blackmount Hill - 37.5km

Section	Work required	Costs	Timeframe with logging effects	Timeframe if not affected by logging
10.7km	shape correction	$1,500,000	next 5 years	10 years+
2.5km	shape correction	$336,000	6 – 10 years	30 years
13.5km	shape correction	$1,890,000	11 – 15 years	50 years
26.7km		$3,726,000		

Rates for Roading

Rates for Roading - Comparisons	03/04 formula 03/04 valuations	03/04 formula 04/05 valuations		LIVE Differential Rating 04/05 valuations Proposed 05/06 Differentials		Model Outputs Differential Rating 04/05 valuations	04/05 Differentials	Differential Rating 04/05 valuations
General_Category								
Commercial	89,716	86,283	4.00	198,685	17.07	886,773	2	121,599
Dairy	1,554,000	1,243,946	1.50	1,559,201	0.80	1,051,838	1.5	1,611,552
Farming (Non Dairy)	4,157,130	4,482,102	1.00	3,834,656	0.54	2,669,887	1	3,956,356
Forestry	162,754	130,191	3.00	298,856	1.50	193,856	2.5	260,478
Industrial	51,781	49,379	8.00	155,385	48.19	963,316	4	95,330
Lifestyle	323,422	340,130	1.00	309,374	1.00	349,838	1	315,155
Mining	6,382	6,887	8.00	30,262	48.19	208,416	4	17,020
Other	93,053	86,661	1.00	81,421	1.00	88,316	1	82,406
Residential	888,164	900,823	1.00	858,564	1.00	914,162	1	866,507
Total Sum of Num Assessments								
Total Sum of Old_Land_Value								
Total Sum of New_Land_	7,326,403	7,326,403		7,326,403		7,326,403		

Wayne Dempster
Rayonier New Zealand

Targeted Rating

A forest owners experience …

Southern Forests

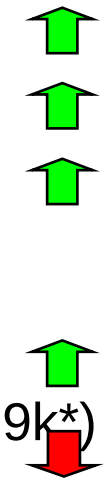
Contents

1. Demographics
2. The SDC Consultative Process
3. The “Targeted Rating Model”
4. Consultation
5. The Good, the Bad & the Ugly
6. Getting a fair deal

Southern Forests

Demographics

- Growth expectations for Diary, forestry and tourism.
- Tourist Visits - 2001 (825k) // 2008 (1100k)
- Dairy Cows -1994 (114k) // 2004 (351k)
- Forests - 2001 (82k ha) of which 65% is < 10yrs of age
- Heavy vehicle usage +9% pa over next 8 years
- Population decline - 1991 (100k) // 2001 (93k) // 2016 (89k*)
- Infrastructure - 4900 km of roads (1930km sealed) 880 bridges
- Rayonier – approx 30% of Forest rated land



Source: Env. Sthld RTS, SDC & Statistics NZ

The SDC Consultative Process

2002	LG (Rating) Act
Apr 2003	Annual Plan 2003/04 "Council is still considering differential rate , which will be subject to a special consultative process"
Oct 1	Report to Council's Tenders Board - Acceptance of tender to build 'the Targeted Rating Model"
Mar 24 2004	Press Release - "Differential Rates for Roading Approved" [by Council]
May - Jun 15	Draft LTCCP submission then hearings – (NB: Plan stated DR was to be subject to a "separate consultative procedure". After distribution this was identified as an error. The LTCCP submission process was the FIRST opportunity to consult.
Jun 16	Council decided to proceed with the differential rate – "the differential was seen as a transitional step, which would enable council to consult with affect industry groups over the next 6-12 months"
Jun 30	LTCCP Adopted

The SDC Consultative Process

Aug 4	Forest Industry meeting (council perspectives, consultative process, lack of local data, land use change, equivalent trip length factor) Agreement to work together to refine the model
Sep 2004 – Mar 2005	Council intending to consult with other sectors. Outcome - little information on how they got on with other affected sectors.
Sep 2004 – Mar 2005	'Local' forestry inputs provided showing model inputs too high for local conditions.
Apr 2005	2005/06 Draft Annual plan released (Apr 05) DIFFERENTIAL RATE for Forestry INCREASES!

The ‘Targeted Rating Model’

- Large number of inputs to derive a targeted rate value
- Technically sound & credible
- Capable of Regional Inputs
- Designer has been up-front about deficiencies
- Subject to “Subjectivity” so long as Equivalent Trip Length Factor stays

What is Consultation?

- the statement of a proposal not yet finally decided upon
- listening to what others have to say and considering their responses
- allowing sufficient time for consultation
- making a genuine effort to consult
- conducting the process in mutual good faith
- providing enough information to enable the party being consulted with to make intelligent and useful responses
- keeping an open mind and being ready to change the proposal or even start afresh, although it is allowable to have a working plan
- holding meetings, providing relevant and further information upon request.
- waiting until those being consulted have had a say before making a decision
- re-opening the consultation process if necessary

[Wgtn International Airport Ltd Vs Air NZ 1991]

Consultation – our experience

1. No pre LTCCP draft involvement (but engaged other councils)
2. Errors in LTCCP (“special consultative process”)
3. Model information not initially supplied to affected parties
4. Implementation before consultation and tuning to Southland forest industry variables.
5. Limited success in engaging all sectors.
6. No evidence of Economic Effects having been assessed.

The good, the bad & the ugly

The Good

- the model is technically sound (with the exception being the ETLF) provided inputs are refined for local conditions.

- Relief from inappropriate rating requirements (ie: waste collection)

The good, the bad & the ugly

The Bad

- Consultation (limited avenues for independent review / appeal)
- Failure to incorporate all inputs provided by working group (yields & heavy traffic volume)
- Central Gov't tax take not fully reinvested in Regional Road Infrastructure (GDP / truck use?)
- Two bites at some sectors (companies who grow and process)
- $$$ Impact on one Company
  - YE 2004 $60k roads (total rate $103k)
  - YE 2006 $95k roads (total rate $134k)
  - $4mil over a rotation contributed for roads and governance
  - $1mil increase in roading contribution over a rotation.

The good, the bad & the ugly

The Ugly

- Potential for ‘political’ interference
- Subject to perceptions
- May drive undesirable land use change
- Subjectivity of the Equivalent Trip Length factor (in equitable)

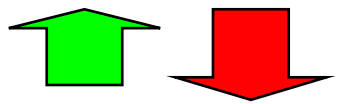
The good, the bad & the ugly

The Ugly

- Certainty

2004 = 2.5

2005 = 3.0



2010 = ??

The ‘Targeted Rating Model’

Getting a fair deal

- Decision making based on local conditions (trip length, rotation, yield and heavy traffic volume)
- Equitable and objective decision making
- Assessment of Economic Effects
- Some acknowledgement of long periods of low intensity use
- Fit for purpose roads
- Improved Consultation

Ian Hunter
Land Transport NZ

Government road funding

Today’s presentation

- The new environment
- How Land Transport New Zealand allocates funding in the new environment
- What that means for the forest industry

Strategic direction for New Zealand

- Agenda for New Zealand is economic development with a sustainability imperative

- This is the context of the New Zealand Transport Strategy and the Land Transport Management Act

The New Zealand Transport Strategy

The objectives

- Assisting economic development
- Assisting safety and personal security
- Improving access and mobility
- Protecting and promoting public health
- Ensuring environmental sustainability

New Zealand Transport Strategy

- Integrated
- Safe
- Responsive and
- Sustainable land transport

New Zealand Transport Strategy

- **The governance, management and funding of New Zealand's transport system is to be:**
  - forward thinking
  - accountable
  - collaborative
  - evidence-based

The new environment

- **Coordination of funding**
  - nationally available funding
  - regionally distributed funding
  - Crown appropriation
  - Regional development funds for Northland & Tairawhiti
  - ability to toll
  - funding of rail
  - development contribution and levies
  - local government rates
  - fare box

Land Transport New Zealand allocation process

Prioritisation

Project Profile

- Seriousness and urgency
- Effectiveness
- Efficiency
- Confidence/Risk

Land Transport New Zealand allocation process

- The best opportunities to meet these common requirements occur when:
  - developing regional land transport strategies
  - developing LTCCPs and land transport plans
  - developing State highway and rail network plans
  - starting to formulate solutions
  - organisations optimise solutions and coordinate their ongoing management

Constraints applying to the allocation of new funding streams

- Crown and non-Crown funding streams must be integrated into a single NLTP
- Land Transport NZ is statutorily independent in determining which activities are included in, and funded by, the NLTP
- Land Transport NZ must maintain the ability to re-prioritise activities and re-programme the NLTP each year
- Regionally distributed funds should be fully committed within the ten-year period

Policy objectives for new funding policy

- Projects should be prioritised and programmed within the NLTP as far as possible on the basis of need
- Crown funds should be fully allocated
- Land transport NZ's methodologies should be transparent and as simple as possible
- R funding should be used to ensure that worthwhile projects are started earlier

Implications for the forest industry

- Land Transport NZ can only fund approved organisations:
  - ✓ Local authorities
  - ✓ Transit New Zealand
  - ✓ Regional Councils
  - ✓ DOC
- Land Transport NZ funds programmes that arise from LTCCPs or the State highway programme

What we fund

- Roading maintenance and improvement
- Passenger transport operations
- Walking and Cycling infrastructure
- Alternatives to roading
  - rail and barging

Suggestions for the industry

- Talk to your local authorities
- Become involved in the LTCCP process
- Be realistic in your expectations

Peter Farley

Government road funding

Forest Harverst Roading Workshop 2005

The Regional Development Roading Programme

The programme is $20 million per year exclusive of GST.

The programme is limited to the Northland and Tairawhiti (Gisborne and Wairoa Districts) regions.

The programme was introduced because of the following combination of factors that applied to those two regions at that time:

- High volumes of new forests nearing maturity;
- Relatively low level of current harvesting activity;
- Potential for new processing capacity that would be regionally significant in terms of economic and employment impact;
- Generally poor standard of existing district roads;
- Relatively high roading costs;
- Regions with generally low socio-economic status; and
- Small rating bases and no capacity to raise a local contribution for a significantly expanded roading programme;

A fairly good process has been developed after an initial rushed start which created some problems. While the details are slightly different between Northland (a single regional council and three district councils) and Tairawhiti (one district council in the Hawkes Bay region and a unitary authority – Gisborne) the basic structure is the same:

- A strong informal group representing forest owners in the region;
- Formal meetings between the forestry group, TLA representatives and LTNZ;
- A formal process for setting project standards with forestry input; and
- A mechanism for making appropriate adjustments as circumstances change.

It is important to understand and allow for the critical annual timetable milestones that must be met in order to have work completed to fit in with harvesting programmes. Working backwards, the sequence is:

- Construction contracts generally let about August-September for completion March-June the following year (ie the same financial year);
- National Land Transport Programme for the coming financial year published by 30 June each year;
- Draft NLTP formally adopted by the LTNZ board in May and forwarded to the Minister of Transport for approval;
- Regional priority lists must be finalized and sent to LTNZ by March for the financial year beginning in the following July;

- LTNZ will consolidate the regional priority lists into a national priority list in April;
- Draft regional priority lists need to be finalized and sent to LTNZ by November, which is when the road controlling authorities have to submit their draft land transport programmes.
- Regional forestry groups need to meet and draw up an agreed draft regional priority list by October – note that this is for work that will be required to be completed in about 18 months time;
- Individual forest owners need to prepare relevant information on the roads that will need upgrading and submit to the regional forestry group by September.

The number one priority for this Workshop should be an agreement between industry and local government to work together to put a united and credible case to Government for the RDR programme to be continued and extended to other parts of New Zealand.

Derek Colebrook

Regional Development Funding in a Northland context

Regional Development Fund

The RDF has been with us since 2002.

The RDF was set up to primarily fund:

1. Projects to encourage additional investment in the region.
2. Significantly reduce transport costs for industry.
3. Mitigate adverse effects on safety, environment and amenities.

As a region we have made the RDF work.

Project Priorities

Through what process have we identified and prioritised roading projects?

The Process

In 2001 Northland Regional Council (NRC) commissioned:

- the Northland Integrated Transport Study (NITS)
- the Regional Land Transport Strategy 2003 – 2008
- the Northland Transport Working Group (TWG)

Northland Transport Working Group

A regional group to:

1. Obtain the best, most up to date harvesting intentions/information from forest owners.
2. Communicate this to TLA's and NRC, LTNZ.
3. Collaborate and cooperate to implement the most cost effective transport solutions and provide agreement on preferred routes etc.
4. Advise NRC, LTNZ, TLA's on ATR projects and likely uptake by forest industry.
5. Provide information for a "state of the art" confidential harvesting database held by NRC.

Membership of the TWG

Membership of the TWG is open to anyone interested in the transportation of forestry produce and includes:

- Forest owners, forest managers
- TLA's, Regional Council Planners, LTNZ, harvest and transport contractors etc.

Northland governmental bodies now recognise the TWG as the "instrument" they consult for RDF projects.

The Assessment Process

The assessment process entails:

- Obtaining predicted woodflow data.
- Walking over potential roading projects with TLA roading personnel.
- Assisting with scoping of projects / examination of design statements.
- Providing industry input into “banks for bucks / fit for purpose” approach.
- Consultation with TWG to assist TLA’s, LTNZ prioritise projects for annual funding.
- Advising forestry roading contracting companies of RDF opportunities.

Summary, It's Working?

- Should harvesting predictions alter significantly due to market conditions a process exists whereby all stakeholders must agree to changes in the RDF approved annual programme.
- TLA's have power of veto over changes invariably driven by the forest industry.
- Industry hasn't had great direct success in making changes
- At times has had to go directly to LTNZ to fund critical projects.

Summary, It's Working? continued

- Northland has a population of some 160,000 people and has 3 TLA's characterised by communities of interest.
- Some vigorously engaged in "patch protection".
- We have too much Local Government.
- Despite difficulties at birth the RDF process continues to evolve.
- Is delivering to the Northland region the "promise" of better roading specifically related to forest industry priorities.

Summary, It's Working? continued

We as a region have developed a draft RDF programme that examines forestry roading needs for the next five years.

The opportunity the RDF has created for local government to better consult with industry has been invaluable for both parties.

May we continue to build on that "spirit".

Lunch Break
12.45pm – 1.30pm