

Submission to FAR NORTH DISTRICT COUNCIL on “A FAIRER RATING SYSTEM” (APRIL 2013)

INTRODUCTION

1. Straterra¹ is pleased to submit on the Far North District Council’s draft annual plan, and long-term plan. The deadline of 22 April 2013 is noted. Straterra wishes to be heard on our submission, in Kerikeri.
2. Straterra supports the submission by the Association of Quarries and Aggregates, noting that the AQA is represented on the Straterra Board of Directors.
3. The minerals sector’s chief concern is the treatment of our sector, in relation to the proposed “targeted roading rate” for quarries/mines, as a source of heavy traffic on Council roads. It is noted that this is potentially a national issue, and we are engaging on it with Local Government New Zealand.
4. As a general comment, aggregates are strategic minerals, notably as an input into roading and construction. To be economic, aggregates must be sourced locally, to the maximum extent possible. This is because the cost of transport of aggregates can affect significantly the total cost to the end-user.
5. Ironically, the higher the rates increase on quarrying, the higher will be the cost of maintaining the roads for which the rates increase is sought.
6. Straterra submits from the point of view that the treatment of the quarrying/mining sector when setting rates should be: fair and reasonable; based on good information; and that Far North District, like all districts in New Zealand, needs an economically-viable and vibrant quarrying and mining sector.
7. We encourage the Council to engage directly with the quarrying/mining sector, along with other affected sectors and stakeholders, as a necessary input to the development of a fair, transparent and effective targeted roading rates regime.

¹ Straterra represents more than 90% by value of NZ minerals production, exploration, research, services, and support <http://www.straterra.co.nz/About+Straterra>

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EXECUTIVE SUMMARY

8. In this submission, Straterra argues that a new approach is needed to developing a targeted roading rate regime for heavy traffic.

9. In explanation, the footprint of operation of the source of heavy traffic is an inappropriate approach to calculating targeted roading rates. This is because the way land is used has little or no connection with the frequency of heavy traffic movements, the dimensions and the weight of the trucks, and the route taken, all of which are determinants of the effects of heavy traffic on Council roads.

10. Many if not all Council roads in the Far North are not designed for heavy traffic, and are particularly vulnerable to damage and the need for maintenance. We believe the heavy traffic sector cannot be held disproportionately liable for the maintenance of roads that are not fit for purpose.

11. The Council did not consult with the quarrying/mining sector when developing its proposals, however, did consult with other sectors. It is not surprising, therefore, that the quarrying/mining sector has been unfairly and unjustly treated under the proposed regime.

12. With the advent of modern technology for recording the movements of heavy vehicles, Straterra proposes that the Council apply that to developing a fair regime for recovering road costs, having considered first its own responsibilities, as outlined in para. 10.
13. To achieve the foregoing, a new process will be needed, including comprehensive engagement with affected interests and other stakeholders, to develop a fair and transparent regime for recovering road costs. The quarrying/mining sector would be happy to participate in this work.

RECOMMENDATIONS

14. Straterra recommends the Far North District Council to:
 - a) Agree to rescind its proposals for recovering road costs from sources of heavy traffic, as unfair, based on a flawed approach, and based on inadequate information;
 - b) Agree that the key information needed for designing a targeted roading rate regime is the frequency of heavy traffic movements, the dimensions and weights of the trucks, and the route taken;
 - c) Agree that the technology exists to measure the variables identified in Rec. (b), and that this technology should be applied to designing a fair and transparent targeted roading rate regime;
 - d) Agree that the Council must bear some responsibility for the fact that many if not all Council roads in the Far North are not designed for heavy traffic, and, therefore, that these roads are not fit for purpose;
 - e) In relation to Rec. (d), agree that the sources of heavy traffic in the Far North cannot be held disproportionately liable for maintaining Council roads that are not fit for purpose;
 - f) In relation to Recs. (a) – (e), agree to develop a new process for developing a targeted roading rate regime, in consultation with all affected interests, and other stakeholders; and
 - g) Note that Straterra would welcome engagement on the above.

DISCUSSION OF STRATERRA'S APPROACH

General

15. Straterra's accepts that the reduction in the annual contribution from the New Zealand Transport Authority presents Far North District Council with a budget challenge in building and maintaining Council roads.
16. Straterra appreciates that the Council has gone to some effort to developing an approach to accommodating the budget shortfall. That said, we find ourselves disagreeing strongly with that approach. We urge the Council to revisit the question of recovering road costs, from first principles. A new and separate process to resolve the issue is required for fairness and transparency, and for decisions to be based on good information.

Effect of the current proposal on the quarrying/mining sector

17. As matters stand, the average mine or quarry faces an increase of 938.8% in rates, under the proposed targeted roading rates, compared to the average dairy farmer (15.2%), and the average forest owner (167.2%). It is noted that part of the difference arises from a reclassification of quarrying and mining, as a source of heavy traffic.
18. The effect of the proposed rates increases would be to force a number of operating quarries to close or to be mothballed because they will be unable to sell product at a price users are willing or able to pay. This is of serious concern to the quarrying and mining sector, including, presumably, the Council as an owner of quarries, and it should be a serious concern to users of aggregates, including, we presume, the Council.

Who is responsible for funding road maintenance?

19. The first question that must be asked is: who is responsible for maintaining Council roads. In Straterra's view, this question has not been posed or answered adequately.
20. The Council has identified sources of heavy traffic as a key area of responsibility. We ask if the Council's has considered its own responsibility. In proposing "targeted roading rates" for, e.g., farming, forestry, and quarrying/mining, has the council done so in the context of its own responsibilities? This is not clear.
21. The Council has entered into the detail, when offering an opportunity for submitters: "The Council is prepared to listen to any practical suggestions from the heavy traffic industry which will meet both our statutory obligations and the principle of cost recovery from those who

generate the demand.”² In this way, the Council is leaping to solutions before adequately defining the problem.

22. In Straterra’s view, the Council bears a particular responsibility. Many of its roads are not designed for heavy traffic, lacking an adequate, or any base course³. We believe it is unfair for the Council to require sources of heavy traffic to be disproportionately liable for the maintenance of roads that are sub-standard because the Council did not invest in building fit-for-purpose roads.

23. In addition, it is legitimate to ask the Council how roading funds have been spent in the past. What have been NZTA’s roading contributions over the last decade, and on what was that contribution spent – (1) in the broadest sense, and, (2) in terms of roading, on which roads, and where?

24. These questions tend to inform resolution of the following question: to what extent is the Council responsible for maintaining its roads, including roads used by heavy traffic? Having determined that, the question then turns to the level of responsibility that should be borne by sources of heavy traffic, and how that should be divided between the individual sectors.

25. On our argument, the Morrison Low report to the Council of June 2012 is flawed from the outset because of incomplete and inadequate terms of reference, viz.: “Following feedback during Council’s LTP consultation process, some questions were raised about the calculation of the targeted roading rate”.⁴ We believe there is much to be done to construct a fair and transparent targeted roading rate framework before leaping to calculating targeted roading rates.

Lack of information

26. Straterra contends that the Council has failed to obtain adequate information on which to base the development of a targeted roading rate regime. To be blunt, no contestable evidence has been presented to show that quarries affect Council roads by orders of magnitude more than foresters, or farmers, or supermarkets, or to what extent quarries affect roads, if at all.

27. We are not surprised at this lapse because while the Council has discussed the proposed targeted roading rate with the forestry and farming sectors, it has not done so with the

² Far North District Council News, “A ‘fairer’ rating system?”

³ David Penny Powerpoint presentation. “Forestry cost to FNDC roads and the options available”. Far North District Council. Slides 8-11

⁴ Morrison Low (June 2012). “Targeted roading rate review sensitivity analysis”. Far North District Council

quarrying sector. That is a failure in the Council's responsibilities to consult adequately and fairly with affected interests.

28. We are astonished to read in the Morrison Low report: "Submissions indicated that there are quarries and mines in the Far North which are responsible for transporting a significant weight of primary production around the District".
29. In the first place, the above statement does not make sense. For instance, one could transport a lot of material on bicycles and that would have no effect on roads; i.e., the concept of "significant weight" by itself is meaningless.
30. Secondly, who among submitters made this assertion? Certainly, not the mining and quarrying sector, who, presumably, would know more about the nature and volume of their heavy traffic movements than anyone else in the District.

Unfair targeting of the quarrying/mining sector – the detail

31. Moving to the detail of the Morrison Low report, we have further concerns. The Council has referred to the Local Government (Rating Act) 2002, schedule 2, clause 1, as its rationale for linking land use to setting rates: "The General and Roothing Rate differential will be based on land use"⁵.
32. But schedule 2, clause 1, of that Act states: "Matters that *may* be used to define categories of rateable land - (1) the use to which the land is put" (Straterra's italics). That is an inappropriate approach in the context of setting targeted roading rates. How land is used has little or no connection with the frequency of heavy traffic movements, the dimensions and weight of trucks, and the route taken, which are the determinants of the effects of heavy traffic on roads.
33. It is unclear as to how the Morrison Low report writers obtained the figure of \$845,167 in charges to be levied on quarries. The Council believes there are 32 quarries in the Far North. That is incorrect. The AQA calculates that the real figure is close to double this number. At issue is that not all quarries in a district are operational at any one time because that depends, among other factors, on what activities aggregate users are undertaking at any one time, and where⁶.

⁵ Far North District Council <http://www.fndc.govt.nz/your-council/strategic-planning/draft-annual-plan-2013-14/AP1314-17-Draft-Funding-Impact-Statement.pdf>

⁶ Note that the cost of aggregate can double on being transported 30km from the quarry site.

34. In terms of making comparisons with other sectors, a key factor to consider is the size of individual trucks. The forestry sector, for example, habitually uses 28-tonne trucks. The quarrying sector, on the other hand, tends to have material moved in 20-tonne trucks (usually by contractors). It is obvious which type of truck would have the greater effect on roads, especially on roads that were not built or maintained for heavy traffic.
35. A cursory analysis of future forest harvesting trends in the Far North suggests there will be a massive increase in forestry-related heavy traffic movements. Has this been factored into the proposed rates increases?

Summary

34. Summarising the foregoing discussion:

- It is not clear what burden of responsibility for road maintenance the Council should bear;
- It is not clear what burden should fall on sources of heavy traffic;
- That responsibility should be divided fairly and transparently between the heavy traffic sectors; and
- It is not clear, in the case of quarries and mines, how that responsibility should be divided between the total number of operations or sites.

In our view, the reasons for the above lack of clarity or lack of fairness are: lack of adequate consultation; lack of information; inappropriate rationale for recovering roading costs; and the use of inappropriate methods in analysis, leading to erroneous and unjustifiable results.

Proposed approach

36. The old adage says – you manage what you measure. The obvious course of action is to measure all heavy traffic movements on Council roads in the District, to obtain the necessary basic information for developing a targeted roading rate system. The technology to do this exists, and should be applied in the District, as it is in some other countries.
37. As a separate consideration, the Council may need to consider its own responsibilities in relation to its roads, and needs to consult on that with ratepayers, and the heavy traffic sector.
38. We would welcome engagement with the Council to discuss how fair and reasonable rates increases on the mining and quarrying sector for the use of roads might be determined. A new process, in consultation with ALL affected sectors, would be the basic minimum, we propose.