FEEDBACK ON CONSULTATION DRAFT

Guidelines for equitable funding of pavement maintenance for low volume roads released for consultation on 19 June 2017.

Stuart Barwood, Mayor, MacKenzie District Council

1. Having been a Transport Operator in the MacKenzie Area for 47 yrs and the family business has been operating 100 years and now a MacKenzie District Councillor, roading is an interest of mine.

2. All the rural roads in the MacKenzie are roads that have been constructed when trucks carried around 3 ton (early 1900's) and it is a credit to those builders; they are now carrying up to 8 to 10 times the weight and travelling at 6 or 7 times faster, and the maintenance is increasing year on year.

3. Irrigation has brought increased production (Opuha Dam) on traditional farms, (finishing of stock and not selling as stores, dairy grazing), 10 Dairy farms, 2000 hectares of Crop (yielding 10 to 12 ton). Ravensdown and Ballance are predicting a 5% year on year increase in Fertiliser and Lime. A lot of this is delivered to a store, then delivered out by spreaders in 6 to 18 ton lots, increasing traffic on the rural roads.

4. Stock numbers may be down, but due to improved genetics the weight of product going out the farm gate is similar or in some cases greater. Stock weights now are generally: Ewes 65-70kg, Lambs 35-40kg, Calves 200-300kg, Fat Cattle 500-600 kg.

Comment: Confirm weights used for Land Use research reflect these weights.

5. A major factor on unpaved roads is weather and in the Mackenzie particularly frost heave in the winter and dryness and wind in the summer (leading to a massive dust problem). The dust is of real concern with the huge increase in Tourism we have experienced, the majority self-drive now.

6. MacKenzie District Council has a philosophy of maintain and improve it's infrastructure and is finding this difficult re Roading under the present regime and as mention before Tourism has added another dimension.

7. A quote from BERL (ref5135) Transport Futures - Economic Evidence, in relation to the export of NZ's main land based commodities: for every 1 tonne km of transport task met by State Highways another 1.3 to 1.7 tonne km's is met by local or regional roads. In fact, if it were not for rural roads there would not be the need for Roads of National Significance to ports.

Comment: A ratio of 1.8 : 1 has since been suggested by BERL

Waikato RATA (Road Asset Technical Accord)

1. Overall the guideline is considered an important resource for our sector, and we are very fortunate to have the working group members make such a commitment to its development.

2. The guideline provides guidance on setting equitable rates for funding pavement maintenance activities using tools such as targeted or differential rates (rather than Development Contributions or Financial Contributions). Is it worth referencing this in the guideline title and executive summary to clarify this? Then RCA's looking for District Plan provisions to address such issues are clear that these are not covered in

this document. Is it beneficial to address why a targeted rate may be a better solution than provisions in a District Plan?

Comment:
a) Add new subtitle: Guidance on setting equitable targeted or differential rates for funding pavement maintenance activities.
b) Add to Executive Summary: Contributions for new developments, financial contributions for environmental impacts, and public-private partnerships are not addressed by these guidelines.
c) Add to Introduction at page 10: Contributions for new developments, financial contributions for environmental impacts, and public-private partnerships generally address present and future developments, and do not address the equitable funding of maintenance of existing infrastructure.

3. It is anticipated that the target audience for this document is a local authority's finance manager, as they will have key responsibility for managing the council's Finance and Rating Policy/Strategy. How will this guideline be shared with that group to ensure they too are aware of it? Roading Managers and staff often do not fully understand the complexities of rating policies, so may not be aware of the not insignificant levels of consideration necessary for applying a targeted rate.

Comment: The Consultation Draft was specifically circulated to local government finance managers. Effective promotion and promulgation of the Guidelines to decision makers through all stakeholders and available channels will be critical for gaining adoption of the Guidelines, which set out the levels of consideration necessary for a targeted rate.

4. Is there a "standard" rating policy available which includes such considerations as stated in the guideline document? This may be useful if appended to the guideline to enable greater understanding of the guidelines context. I also note that there is an appetite to see a real example of implementation of the guidelines if this is available.

Comment: There is no "standard" rating policy. Case studies of implemented examples will be available with the Guidelines as implementation occurs and they become available.

5. In the worked example for "Weka Council" on page 30, two production intensity /policy weight tables are provided. A title for each table would make their application easier to understand.

Comment:
a) Add table title on page 29: Table 1 - Policy weights for production intensity and distance for pastoral and dairy farming units
b) Add table title on page 30: Table 2 - Policy weights for production intensity and distance for forestry
c) Consequencial amendment: Table 1 on page 32 becomes Table 3; Table 2 on page 33 becomes Table 4; Table 3 on page 34 becomes Table 5

6. The referenced technical documents contain very good detail on how each criterion has been arrived at. Is there an intention in the work group to monitor these to ensure that the information provided (such as current average kg /ℓ/m^3 per ha) is kept up to date?

Comment: Add provision for review after two years. Guidelines will not provide local kg/l/m^3 per ha production rates; these will need to be sourced from local, regional or national data.

7. Of note, the title of the document indicates that such funding mechanisms are only suitable for “low volume roads” but this is not further elaborated on in the guideline itself. Should this be enhanced to indicate on which roads or networks such funding mechanisms are not appropriate to be used?

Comment: The proposed funding mechanisms are applicable only to low volume roads. While the principles do apply to higher volume roads the extra complexity would be likely to make the method impractical.

NZ Forest Owners Association

1. The forest industry considers it makes a fair contribution to infrastructure construction and maintenance in local authority areas.

2. The forest industry does not set land rate levels - councils do. In some areas of New Zealand, successive councils have agreed to rates which have resulted in underfunding to complete functions they are obligated to do. It is unacceptable to target forest owners, at the end of a rotation (that may have outlived ten council terms), for additional funds when councils should have been making appropriate investments on infrastructure every year. Uneconomic land uses have been sustained year-on-year simply because their rates have been subsidised by forestry’s lack of short term demand for services. This has artificially lifted land values and reduced investment in economic land uses (such as plantation forestry).

Comment: Where forest owners have paid comparable rates and not made use of the roads, or other facilities, a subsidy would have occurred. However, where there was no demand for services for up to ten council terms, investment in infrastructure for which no demand existed would have been seen as a low priority.

3. Should any council misuse this guideline the forest industry and/or individual companies may seek judicial reviews of their decisions. The judicial review process would highlight poor historic council decision-making and management, which has deliberately targeted and disadvantaged the forest industry.

4. There are a range of tools available to councils to fund low volume roads at the point of forest harvest. The proposed guidelines are **one of** the tools.

Consultation between affected parties is required to ensure the most appropriate funding option is selected. For small blocks, modest increases in cost may be unsustainable and result in unintended changes in management direction.

Comment: Care would need to be exercised where uneconomic land uses have been sustained because their rates have been subsidised.

5. The Guidelines provide a method for councils to allocate to rating units the cost of pavement maintenance (including renewals) made necessary by the heavy vehicle traffic generated by land uses on those units.

The guidelines are only as good as the data input to them. Inputs must be agreed after consultation with affected parties. Inappropriate assumptions such as forestry having zero benefit to a region will taint the guidelines and the process. Deciding on appropriate values such as equivalent standard axle need to be backed by informed engineering knowledge and training – not hearsay or opinion.

Comment: The guidelines offer a consultative approach that assumes a high measure of collaboration and early engagement, but formal consultation would also be required for implementation, allowing accurate data values to be agreed between all parties.

6. The Guidelines provide a means to allocate costs to industrial ratepayers of different industries pro-rata to their level of traffic loading annually, the distance of the rating unit from a state highway and by the production intensity of land use.

All sectors using a road, and their usage relating to pavement wear, must be appropriately accounted for.

7. Break down of land use must be informed by input from the land owner. Existing databases may be inaccurate.

8. Case studies based upon real examples are an appropriate means to demonstrate the process, but the input data must be viewed as fair by the affected sectors or the process will be attacked as biased. Review by an independent body on data inputs may address this issue.

Comment: Input data is likely to come from the industries and be verified locally in the process, then open to scrutiny in any consultation. Identifying an independent scrutineer body for input data could be problematic.

9. If it is agreed to move to a "Guideline" approach, a staged introduction would allow affected parties to respond with appropriate management options. All affected parties must agree to the process and inputs.

Comment: Every Council currently has the power to introduce a targeted rate. The method proposed in the guidelines offers a process to arrive at an equitable rate for the freight burden of different land uses. It is not prescriptive and the process for its adoption by any Council would be the same as any change to the rating process.

10. In addition to accounting for industry impact on roads, past council inaction resulting in low quality / poor strength roads, unsuitable for purpose, must be allowed for in allocating equitable funding.

Comment: The method offers limited means for taking into consideration the effects of council inaction, but is primarily a response to the effects of a rapid increase in the freight burden exceeding the design traffic assumptions for rural low volume roads in an environment of static or reduced central government co-investment.

11. The NZ Forest Owners Association firmly believes there should be a collaborative approach with councils to ensure that expenditure is being made in the correct places, to an agreed design and to an agreed outcome.

Aggregate and Quarry Association

1. The AQA understands the need to address the funding shortfall for maintenance of low volume roads and applauds the RCA Forum for trying to address this issue in an equitable way. Ensuring the damage is paid for by the perpetrator seems to be the equitable response.

2. There are however a few points we wish to raise.

3. The detriments/benefits allocated by council is entirely subjective and will be hard for a council to realise or a landowner to argue, even with the guidelines given in Section 3. Having said this, we appreciate the ability to alter rates by understanding benefits and postpone rates during times of non-production (Section 4).

Comment: Local industries will have primary responsibility for ensuring that local benefits from their activities are fully accounted for in the process.

4. It was good to see community outcomes listed as benefits, this can benefit a quarry as typically half of its output will be used on community roads to benefit all. Other quarries may provide armour rock to line a riverbank, providing protection to a whole town.

5. Step 5 allocating net PMCI to quarrying is linked to land value (Equation 7-21) instead of production from the land in tonnes like in Step 3b. This should be related to output as land values can be skewed.

Comment: Equation 7-21 describes the rating charge and cannot be changed from land value to production, because a targeted rate must be set for land area or land value (among other criteria listed in Schedule 3 of the Local Government (Rating) Act 2002), but cannot be set for production.

6. The distance weighting factor has the potential to make distant farms and industrial operations non-profitable. Not only do they have to cart their produce the furthest in the district, they would be penalised with extra rates. It would be hard for these operations to make a case with council on the ability to pay rates. Could a comment be made in the guidelines indicating this please?

Comment: Councils will not wish to render land use unviable within districts and will need to consider carefully the benefits and costs from any effective subsidy for distant producers using the roads.

7. Care should be taken to ensure the total rates required in any year for maintenance (PMCT) do not exceed similar levels for previous years. This rating scheme targeting low volume roads should not use industry as a financial institution enabling “gold-plated” roads. Having said this, roads assessed as damaged by numbers of ESAs for each industry should be designed to carry the number of ESAs travelling on them. Early rehabilitation due to insufficient road design could cost the Road Controlling Authority and landowner more in the long run.

8. Finally, the RCA Forum needs to consider that aggregate is by far the lowest value product carted on roads and the ultimate levy per tonne cost has a very large impact on the profitability of a quarry operation and will therefore control its pricing. Some typical values of products carted are listed below.

9. Although there is equity when $/tonne rates are compared across the industries (using the Wairoa case study spreadsheet), the proportion of rates is much higher for the aggregates industry. This in turn will increase the purchase price of these products, having a negative influence on the local Road Controlling Authority.

10. The AQA would welcome the opportunity to be able to reduce the calculated PMCI by negotiating with RCAs the benefits from the quarrying industry to the local

community and highlighting the short cartage distances from quarries.

Comment: The guidelines present a method precisely designed to allow local benefits and short cartage distances to be taken into account by industries and Councils.

Paul Devereux, Nelson City Council
What is the definition of a low volume road for this guideline? There are different interpretations based on different documents you look at. There does not seem to be an actual definition of what constitutes low volume in the guidelines.

Comment: The proposed funding mechanisms are applicable only to low volume roads. While the principles do apply to higher volume roads the extra complexity would be likely to make the method impractical. Councils will need to decide the threshold based on local circumstances.

Federated Farmers
1.1. Federated Farmers welcomes the opportunity to make this submission to the Special Interest Group on Low Volume Roads of the Road Controlling Authorities Forum, on their Guidelines for Equitable Funding of Pavement Maintenance for Low Volume Roads.

1.2. New Zealand agriculture's contribution to the New Zealand economy is dependent on a functional, safe and reliable roading network for the transport of inputs, outputs and people. A functioning road network enables primary producers to efficiently move inputs and outputs, allows farm servicing agencies to access their customers and allows farmers to access population hubs for goods and services.

1.3. The cost associated with delivery of roading infrastructure represents a significant cost for primary producers and rural residents through fuel taxes, road user charges and local government's contribution to local roading maintenance and development through property based rates.

1.4. As a regular submitter on the financial plans of many district councils, Federated Farmers has considerable experience with the debate and development of rating policies to fund the local share. We consistently urge councils to take a cost/benefit evidence-based approach to rating policy. Our experience suggests however a considerable variety of methodologies and approaches depending on local conditions, the cost of rates in populated areas, and the capacity of individual councils to afford the design of complex and informed rating systems.

1.5. We contend that the failure of government to adequately support the local share has led to deterioration in the condition of many rural roads and bridges. This is of widespread concern to our members, many of whom pay in the thousands through local rates for roading of dubious resilience.

1.6. We agree that there is an urgent need for new funding approaches and methods to address current and future problems with the rural roading network. While the proposed guidelines may form an important contribution to targeting of the local share, it is not at all a complete solution. We hope that it may at the least lead to more informed debate and better targeted investment at the local level.

1.7. From a wider perspective however we emphasise our concern with overall funding as opposed to re-cutting the cake within existing limits.

1.8. The Government Policy Statement on Land Transport 2018 for example cites a shortfall in subscription to the funding band for Local Road Improvements, and suggests that local authorities may be investing elsewhere. We have encouraged the Ministry of Transport to work with local authorities to look more closely at the cause of the under-spending, which may be lie within the challenges for some smaller local authorities of preparing sophisticated business-case arguments.

1.9. We strongly submit that the Forum needs to consider the impact of tourism traffic on low volume roads and how this should be equitably funded.

2. Tourism and roading

2.1. The considerable growth in tourism referred to in the draft Government Policy Statement on Land Transport 2018 is having a noticeable impact in rural areas, as the evolution to more informal types of tourism, such as freedom camping, gain momentum. It is important that local councils have appropriate funding mechanisms to meet the costs imposed by tourism traffic. The forecast increase in tourism numbers from over 3 million in 2015 to 4.5 million in 2022 offers little comfort to rural communities and local authorities that contend with this phenomenon outside of the major population centres.

2.2. These guidelines relate to pavement damage, which we acknowledge is largely a heavy-vehicle problem. However, in many rural areas tourist traffic has been growing on council road networks, including on low volume roads. Although most of this growth will be for light vehicles, tour buses are heavy vehicles, and even light tourist vehicles (such as rental cars and campervans) will have an impact on the condition of low volume roads. Many of these roads also have safety issues associated with them and are not designed to cope with such traffic. The reality is that local government rating systems are not well placed to recover the costs from tourist traffic and it is unfair to sheet these costs onto landowners in the way suggested by the guidelines.

2.3. If there is not a way to equitably fund the costs of tourism traffic from the rating system then we strongly believe that this increases the case for increased funding from the National Land Transport Fund to help recover these costs. The Government's establishment of a Tourism Infrastructure Fund also forms a useful precedent for targeted funding to address infrastructure pressures caused by tourists, but road maintenance costs are not eligible to be funded from it.

3. Road Funding Concerns

3.1. The land transport network is essential to agriculture, which has in modern times delivered significant productivity and production increases and forms a major component of export revenue[1].

3.2. For farming families, the roading network is, however, much more than a factor in their business enterprise, it is the vital social network, the conduit for access to health, education and the variety of human services upon which we are all dependent.

3.3. We believe that already farmland is contributing considerably through rates to the funding of the local share of the roading network. There is currently no data available to quantify farmland's contribution to the roading network through rates, or indeed that of any other sector, but we would expect that to be a significant proportion[2].

3.4. Our experience suggests that overall low volume rural roads are not the emphasis of government's strategic funding model for the roading network, rather congested urban networks and regional links carrying heavy tourism traffic are receiving the emphasis. We see an urgent need to increase the local share of road funding overall; re-cutting the local cake, so to speak, is an enterprise with many variables and limits at the local level.

3.5. We do not believe that problems with the quality of the rural road network are related to a shortfall of funding locally from farmland. It is imperative that any work to target rates to fund the local share does not produce excessive focus on a narrow range of businesses that are already over-burdened.

4. The Proposed Guidelines

4.1. We see the guidelines as reflecting a sensible approach in theory to apportioning liability for the allocation of the costs of roading, but we have serious concerns about how it would be applied in practice and its impact on many rural ratepayers.

4.2. Reliance on targeted rates should mean that any revenue collected for low volume roads is spent only on low volume roads. It is important that the costs allocated to ratepayers reflect the costs of the local authority-owned low volume road network, and only those costs.

4.3. Our overarching concern with this approach is that the guidelines only address issues at the margin of the overall road funding problems faced by farmers. It is unclear what impact, if any, the guidelines will have in terms of the proportion of road funding from central government vs local government. This is the key consideration for low volume roads as, in our view, central government has the revenue mechanisms that best reflect impact and use – i.e., road user charges, petrol excise tax, and vehicle registration and licensing fees.

. Comment: The Special Interest Group on Low Volume Roads and the RCA Forum can have no greater influence on central government funding decisions than the submitter and acknowledges that the guidelines seek to address only one part of the funding needs for low volume rural networks.

4.4. Likewise, how do the guidelines fit with the removal of funding for regional road improvements proposed under the draft GPS2018? Farmers need long-term sustainable funding solutions for rural and regional roads and bridges. The draft GPS fails to provide such solutions.

4.5. Concerns arise from practical implementation of the guidelines by local councils, the cost impact the guidelines might have on annual rate demands of farmer ratepayers, and questions as to whether guidelines deliver improved roads and bridges for affected farmer ratepayers. Administrative costs of modelling, consultation and economic assessment could prove cost prohibitive for many councils, especially smaller rural councils.

4.6. We have questions around the extent to which local councils would have regard for mixed land-use properties when it comes to determining and applying Estimated Standard Axles (ESAs).

4.7. What should be avoided are consequences where particular land-uses are targeted in a way that makes them uneconomic, or increases the cost burden on particular ratepayers yet fails to deliver an improved roading system. This requires a level of granularity that assesses the condition and impact of ESAs on low volume roads, the cost of maintaining (and potentially improving for continuing fitness for purpose) particular low volume roads.

4.8. With regard to the cost impact on rural ratepayers, we have concerns around the consequences of a shift in the allocation of costs dependent on land-use mix within council rating areas, and the relationship between those land-use sectors. The guidelines sensibly allow for a high degree of discretion in their application by local councils given differing circumstances of local council rating areas, whether by land-use mix, state of low volume roads, proportion of low volume roads to higher volume roads, and overall ratepayer base. While it might be a hard ask of the guidelines to deliver optimal results in every instance, with no guarantee of greater benefit for affected ratepayers, this is something we do need to insist upon.

4.9. On the guidelines delivering improved roads and bridges for affected ratepayers, this is a must. Already we have many instances of farmers paying significant amounts towards road funding and yet seeing very little, if anything, for the road funding sought from them every year. This speaks to the fairness and equity of requiring yet more funding from particular farmer ratepayers for road funding under the guidelines unless local councils are obliged / required to ensure that priority is given to roading investment in low volume roads relied upon by affected farmer ratepayers.

5. Conclusion

5.1. Federated Farmers is not in a position to contest or otherwise the technical conclusions drawn from the impact of vehicles of a particular scale on low volume roads. However, we see the guidelines as an opportunity for local authorities to consider undertaking a thorough evidence-based review of their revenue and finance policies as they apply to the roading network. This will be a challenge. Some councils include related infrastructure, such as footpaths and streetlights, in their roading rates. Some councils simply fund roading from their general rate pool, and might include factors such as stormwater and drainage in their funding models. These guidelines, we hope, will produce a stronger focus towards ensuring that funding for roading purposes is collected with a view to funding the genuine costs of road maintenance.

. Comment: Provision of effective stormwater and drainage is normally essential to the performance of a road pavement and any footpaths and streetlights within the road corridor would normally be considered to be justifiably included in any roading rate.

5.2. That said, the funding principles in the Local Government Act 2002 are broad and contemplate considerable discretion on the part of councils in terms of, for example, the extent to which rates collected are focussed purely on issues of impact and exacerbation. In our experience with locally-developed road funding models this discretion is deployed to a considerable extent, often to the disadvantage of rural ratepayers. As such, we urge caution in terms of the estimation of the impact these guidelines may have on funding practices of local councils.

6. About Federated Farmers

6.1. Federated Farmers of New Zealand is a primary sector organisation that represents farmers and other rural businesses. Federated Farmers has a long and proud history of representing the needs and interests of New Zealand farmers.

6.2. The Federation aims to add value to its member’s businesses. Our key strategic outcomes include the need for New Zealand to provide an economic and social environment within which:

6.2.1. Our members may operate their businesses in a fair and flexible commercial environment;

6.2.2. Our member's families and their staff have access to services essential to the needs of the rural community; and

6.2.3. Our members adopt responsible management and environmental practices.

[1] According to MPI's Situation and Outlook for Primary Industries, in 2015/16 the wider primary sector (including pastoral agriculture, horticulture, forestry and fishing) contributed 75 percent of the value of New Zealand's merchandise exports, with pastoral agriculture (dairy, red meat, and wool) contributing 49 percent.

[2] According to MPI's Farm Monitoring Report 2012, the national model budget of dairy farm working expenses showed a total local authority rates cost of $14,738.00. While there is no more recent data available, we would assume that this number has since considerably increased and that a substantial portion of it is rates to fund the local roading network.

Society of Local Government Managers

1. SOLGM is a professional society of around 610 local government Chief Executives, senior managers, and council staff with significant policy or operational responsibilities. We are an apolitical organisation. Our contribution lies in our wealth of knowledge of the local government sector and of the technical, practical and managerial implications of legislation.

2. One of SOLGM's levy-paying local authorities has drawn the consultation draft of the publication *Guidelines for Equitable Funding of Pavement Maintenance for Low Volume Roads* (the guide) to our attention. While we welcome consideration of these issues, we have several concerns about the report.

Support for the Project

3. The recovery of the costs of providing low volume roads that serve primary industry is a long-running issue, in particular forestry and dairy roading, and more recently aquaculture. SOLGM agrees that some guidance around approaches to funding pavement maintenance on low volume roads is desirable.

The report needs legal review, by someone familiar with funding law and principles

4. The guide develops quite a detailed methodology for:
   1. estimating the pavement consumption on low volume roads used by heavy haulage
   2. allocating costs for heavy haulage.

5. Local authorities are required to follow a two-step process when making funding policy. The guide correctly identifies the ‘matters’ that local authorities are required to consider at the first step of the process and that there is a second step in the process.

6. We have worked with this legislation for some years, and we are concerned that the process outlined in the Guide may be marginal in its compliance with the process. The Guide appears to demonstrate relatively robust consideration of the distribution of benefits across the community, and some degree of consideration of causation (and therefore to those who action/inaction gives rise to the need for expenditure).

7. We are less certain that the guidance has demonstrated sufficient consideration of the other matters in section 101(3)(a). In particular we see little or no consideration of the community outcomes that a road network promotes and how this might factor into the assessments (arguably the guide has considered roads as a facilitator of economic activity, but there are other outcomes. The guide makes some comment about the timing of forestry activity, but in fact the legislation requires consideration of the timing at which benefits occur. The guide notes the availability of general and targeted rate options but does not explore the costs and benefits of separate funding in this context.

Comment: The guidelines are concerned with pavement consumption and the costs and benefits associated with it. They are not concerned with the community value of road networks. They do not replace the matters to be considered under section 101(3)(a). The timing of benefit is inherent in the method, because land owners receive the benefit of roads when they use them. Thus forestry activity is the determinant of the timing of the benefit. Whether a general or targeted rate is appropriate will be determined by local circumstances and each Council will need to assess the benefits and costs of the options. The guidelines are not intended to provide guidance on this assessment.

8. The two-step funding process recognises that a robust funding decision has both activity specific and global components. The second step of the process is important because it is here that the impacts of the results on the community are considered. There is a great deal of recognition of the economic value of roads, but less of the other impacts that this allocation of costs might have on the community.

Recommendation

That the Road Controlling Authorities Forum put the guidance through a peer review by a legal advisor with familiarity with local authority funding and rating law.

Comment: A legal review of the guidelines once the consultation process has finalised the text of the draft document has always been intended.

The discussion around rates postponement appears unduly slanted

9. We consider that this paragraph is perhaps too slanted towards the interests of the landowners and haulage industry. We agree that some of the industries described are subject to economic fluctuations or have issues with the timing of receipts, and that rates postponement is an option should a council wish to assist these ratepayers. Both are known by the owners of these industries when the decision to plant a forest, convert a property to dairy etc.

10. What is not recognised is that rates postponement in these circumstances is effectively a subsidy, either temporary or permanent, from the other ratepayers in the district. One of the common law principles traversed in funding case law is that councils have a fiduciary duty to act in the interests of all ratepayers, and that a local authority might struggle to justify treating these industries differently from other industry in the district.

Comment: The guidelines identify the potential use of rates postponement and recognise that it constitutes a subsidy from one group of ratepayers to another. The guidelines do not prescribe or advocate rates postponement.

Recommendation

That the Road Controlling Authorities Forum balance the discussion of rates postponement as an option by noting that in the short-medium term a postponed rate is effectively a subsidy from one group of ratepayers to another.

The Report contains a number of factual errors and misconceptions about rates

11. We would like to draw several issues of a factual nature to your attention:

Page 10 – pavement maintenance, like other maintenance is generally classified as an operating. Section 100 of the Local Government Act requires local authorities to set each year's operating revenue equivalent to operating expenses unless it resolves that its prudent to do otherwise. Establishing prudence, within the context of the matters listed in section 100(2) of the Local Government Act 2002 would be a precondition to a local authorities borrowing to fund the maintenance cost of roads.

Comment: The guidelines do not propose borrowing to fund the maintenance of roads. Amend text of page 10 to separate funding means available for providing roads and for maintaining roads.

Page 19 – as a general rule capital value tends to be a better proxy for intensity of use. Note: slightly more than half of the territorial authorities use capital value as the basis for their general rate.

Comment: A Council would need to satisfy itself that capital value accurately represented the intensity of use of the road network, as well as the land.

Page 22 – the phrase 'uniform charge' has no meaning in a rating context. The funding mechanism that para 6.3.1 appears to describe is a value based rate set at a uniform rate in the dollar. The phrase uniform charge could easily be confused with uniform annual general charge (which is correctly described in the guide. We agree with the comments about the annual value system in this same section – while it is intended to capture the productive value of land, valuation is dependent on a large and active rental market (which does not exist for these properties)

Comment: Amend page 22 to remove any potential unintended confusion of a differential rate with a uniform annual general charge.