Creating Connections

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Funding and upgrading local roads for forestry operations
The NZ Forest Owners’ Association is a voluntary organisation representing the interests of commercial forest growers.

FOA member companies collectively manage around 1.4 million ha of rural land, 80% of which is planted in plantation trees.

Current total harvest is over 26 million m³ per year with the capability to increase to around 35 million m³ per year by 2023 if market conditions and competitive domestic operating environment allow.
The sector contributes around 3% of New Zealand’s GDP, and generates export earnings of $5 billion per year.

Apart from general freight, the movement of logs, manufactured forest products and wood by-products is the largest road freight commodity group transported in New Zealand, with a total current volume of approximately 50 million tonnes and over 6.5 billion tonne.kms per year.
Creating Connections

Funding and upgrading local roads for forestry operations

- The forest industry freight task is expected to double over the next 20 years.
- The industry currently pays about $90M pa in heavy vehicle road user charges for the cartage of logs and manufactured forest products.
Funding and upgrading local roads for forestry operations

• As a key primary industry, forestry’s resources are primarily located in less accessible rural areas and are heavily dependent on rural roads and the secondary state highway network, with restricted opportunities to utilise rail or coastal shipping.

• An adequate road infrastructure, supported by an efficient and reasonable system of road use funding, is critical to the competitiveness of our sector.
Funding and upgrading local roads for forestry operations

- Outside of the major processing centres at Kawerau, Kinleith and Karioi, there is very limited opportunity to utilise rail. Currently approximately 3.5 million tonnes of logs and forest products are transported by rail to metropolitan centres and export ports.
- The future increase in harvested log volumes will be mainly from small growers located in remote rural areas serviced predominantly by local roads.
Creating Connections

Funding and upgrading local roads for forestry operations

- The fundamental issue is that many councils simply do not have the funds available to upgrade roads prior to the commencement of harvesting.
- These works are funded from regional land rates and the National Land Transport Fund (NLTF).
• Although many councils have good information on forestry plantings, estimated harvesting timing and the impact that logging traffic might have on local roads they do not accumulate any funds to carry out necessary works prior to the commencement of harvesting.
In order to address this issue some councils are using their powers under the Land Transport Act 1998 to make bylaws to provide funding from specific land use sectors such as forestry. A recent example is Ruapehu District Council’s Land Transport bylaw which would give them the ability to collect a bond from forest owners prior to commencement of harvest. They also claim that harvesting triggers a land use change giving them the ability to impose a premium on land rates.
Funding from Land Rates is fundamentally flawed as rates are based on land value which doesn’t necessarily have any relationship to roading costs for any specific land use. Local Roading Authorities (LRAs) can adjust the contribution from rates for different land use through differential and targeted rating.

The local government funding from the NLTF is allocated on a proportional basis known as the Financial Assistance Rate (FAR). The FAR is differentiated by activities and for most activity classes is based on each approved organisation’s ability to pay.
Funding and upgrading local roads for forestry operations

- Roads, both highways and rural roads, are an integral and essential part of all aspects of life in NZ. In an economic sense they are the essential link between our predominantly primary sector sources of production (farms and forests) and the markets for these products.
• Commercial forest owners, in common with farmers, rely on a well-managed and maintained roading network to move their production to markets efficiently and cost effectively and to have inputs for their production system delivered.

• For rural roads this network is funded in general by a combination of District Council rates paid by landowners, usually in relation to the value of the land being used, and funds from central Government derived from road user charges, vehicle registrations and fuel excise.
• During the period from the planting of a forest to immediately prior to harvest, forest owners place very low demands on roads servicing their forests. Once harvest begins, there is a short period of more intense use of roads followed by another long period of low usage. This is a situation similar in all aspects, apart from the timescale, to the planting and harvesting of a wide range of horticultural and agricultural crops.
At the other extreme of road use is the dairy industry, where significant volumes of product are transported on a daily basis for most of the year, or agricultural or cartage contractors moving heavy equipment to and from their base sometimes several times a day. (Note that this is supported by work done in Southland showing commercial and industrial activities are by far the highest generator of heavy traffic).
• In larger forests consisting of varying age classes, activities associated with the forest cycle are more continuous. In such cases the in-forest roading network is often used as much as possible to reduce costs. This results in road maintenance costs associated with log transport and borne by district councils being restricted to a small percentage of the overall road network.
Throughout the life of any crop, the land owner is paying rates to local government. These rates are then used to provide a range of services including the rural roads on which the primary sector relies.

On a comparative basis of tonnes/hectare/year, commercial forests produce at similar levels to many agricultural production systems, and thus over the life of the forest place a similar demand on roads.
Some in local government have suggested that, at the time of harvest, forests place a greater burden on the roading network than other land uses, and that the general rate payer is subsidising the forest owner. Several District Councils are pursuing rating policies that would establish a higher Differential Rate or a Targeted Roading Rate to offset the perceived costs of log transport on the District’s roads. There is no evidence to support such actions.
The basis for singling out forestry is flawed and fails to take into account that there is a considerable period of time in the approximately 28 year rotation where any given area of forest imposes very little demand on public roads other than “availability costs”, and virtually no demand on other ratepayer-provided services. In essence, forest owners have subsidised other ratepayers for much if not all the length of time taken for forests to reach maturity, and thus have a reasonable expectation of adequate roads being available at harvest.
Funding and upgrading local roads for forestry operations

• Analysis of total output from different rural land shows that the total truck movements per hectare per year from forestry approximates that of beef farming when calculated over a 28 year period.
That concentrating 28 years of maintenance into a much shorter period may create the perception of a greater relative impact but actual maintenance over the production cycle is unlikely to be any greater than for any other productive land use. It could in fact be argued that a concentrated period of maintenance is more cost effective than the same volume of work carried out over many years.
Most often problems arise when roads have not been brought up to the necessary standard when harvesting begins and are then subjected to more intensive volumes of heavy traffic. The forest has been there for 25 – 30 years and thus there has been plenty of warning about the need to ensure roads are up to the required standard.

The impact of a heavy vehicle on a road is identical regardless of whether that vehicle is carrying livestock, milk, fertiliser or logs.
Funding and upgrading local roads for forestry operations

- The FOA considers Differential Rates or Targeted Roading Rates on land used for forestry are unjustified. Rigorous analysis of the rates paid and the costs incurred does not support the perception that forestry represents an unreasonable burden to the roading network.
FOA Members do not expect to be subsidised by other ratepayers. Nor do they expect to subsidise other land uses. The rates they have paid while the forest is growing would have exceeded any draw on Council’s services, effectively subsidising the District’s rate payers for the length of time taken for forests to reach maturity and there is a reasonable expectation of adequate roads being available at harvest.
The FOA believes that it is essential that the realistic costs of future roading requirements are understood at the time that any land use is established or, in the case of a forest, replanted. Clearly signalling Councils’ rating/user pays expectations will likely influence the decisions of land owners.

Currently in some districts the LTCCP process is creating uncertainty when this should be the opportunity to increase long term certainty for all ratepayers.
FOA Members recognise that Councils need sufficient and timely information on which to base their road maintenance and upgrade planning. This will ensure that a Council has time to allocate sufficient funds to undertake the work or, if necessary, arrange loans to pay for the necessary works, based upon the expectation of future rates revenues.
• As with many other Council activities (such as buildings, pools, libraries etc) Councils must also address intergenerational equity. FOA believe that as with these other Council facilities, roading is also an intergenerational asset and should be treated in the same way.
The FOA supports the principle that taxes (including rates) must be simple to collect and administer and most importantly be fair and equitable. Clearly, singling out forestry transport is neither fair nor equitable as forestry transport does no more or less damage to roads than the transport of any other goods or products. The imposition of road rating models which include subjective variables is totally unacceptable.
The FOA believes that in some circumstances there are potentially significant cost and service delivery benefits to be obtained from a merger of Council road management operations, either with those of NZTA or adjoining councils. Marlborough is an example of where such a model is operating successfully.
• The FOA asserts that Councils will find a differential or targeted rate on forestry related transport activities difficult to defend as the evidence shows forestry has no greater effect on roads than any other land use and therefore cannot be legitimately singled out.
The state highway network already has a classification system and in 2012 the Government established the Road Maintenance Task Force to identify opportunities to increase the effectiveness of roading maintenance. The Task Force’s final report in October 2012 states “there is a significant opportunity to further differentiate levels of service on each part of the total road network. Such differentiation must be linked to a classification system that recognises the economics and social value of component parts.”
FOA supports this recommendation and acknowledges that submissions received on the Task Force’s interim report supported the development of a proposed national classification system.

This would also create a reasonable level of certainty for approved organisations as to what proportion of NLTF funding they would receive for different activities.
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• Lets all work together .......... thank you