



21 September 2011

Our Ref: 531019

File: R76-0074

Hon Steven Joyce
Minister of Transport
Parliament Buildings
Private Bag
WELLINGTON 6160

Dear Steven

PROPOSED REDUCTION IN RUAPEHU FINANCIAL ASSISTANCE RATE

Thank you for your willingness to speak to us about the alarming proposal to reduce Ruapehu's FAR rate by the highest proportional amount of any area in New Zealand. Your concern and willingness to pass on the request to the NZTA Board to consider Ruapehu's case was greatly appreciated by Mayor Sue and myself. The following outlines our situation which we believe to be a compelling set of reasons to treat the Ruapehu as a special case in this review.

Sought

Ruapehu District Council is seeking a hold on the FAR rate at the existing level of 62% until such time as the FAR review itself has been completed in 2013/14. The impact on NZTA is some \$153,000 annually for the decision, but the impact on the Ruapehu is a 2.44% rate increase if the reduction takes effect. This represents significant hardship for our Central North Island population who is working hard on rebuilding its economy and trading its way out of recession.

Situation

Ruapehu is facing a projected drop in its Financial Assistance Rate (FAR) of 2% over two years from 62% to 60% in maintenance and renewals, amounting to a need to increase rates by \$459,111 over the next three years to keep road investment at the same level. That represents a rate rise of 2.44%. An analysis of the value of the change and population shows that Ruapehu has experienced proportionally the highest drop in New Zealand. The following tables indicate the seriousness of this situation for Ruapehu:



Impact on Rates	2012/13	2013/14	2014/15
Total Budget	8,860,060	9,125,862	9,399,638
Local Share (38%)	3,366,823	3,467,827	3,571,862
NZTA Share @ 61%	5,404,637		
NZTA Share @ 60%		5,475,517	5,639,783
Shortfall funded by Rates	\$88,601	\$182,517	\$187,993
Locate share rates	0.55%	1.14%	1.17%
-3% n Minor Improvement	1.19%	1.23%	1.27%
Total rate rise required to continue as forecast	1.75%	2.37%	2.44%

Table 1: Financial impact of the proposed FAR reduction on Ruapehu ratepayers. A huge 2.44% rate rise will be required if this proceeds.

Council	Population	Change \$000	increase per pop	Change per Pop. Ranking
Ruapehu	13,569	160.7	\$11.84	1
Wairoa	8,484	71.5	\$8.43	2
Kaipara	18,132	133.6	\$7.37	3
Clutha	16,839	121.8	\$7.23	4
Rangitikei	14,712	102.6	\$6.97	5
Buller	9,702	62.6	\$6.45	6
Grey	13,224	83.3	\$6.30	7
MacKenzie	3,804	22.9	\$6.02	8
Kaikoura	3,621	21.4	\$5.91	9
Tararua	17,634	102.2	\$5.80	10

Table 2: Comparison of key statistics indicating that the impact of the proposed FAR reduction is the worst on Ruapehu District.

Ruapehu's Case

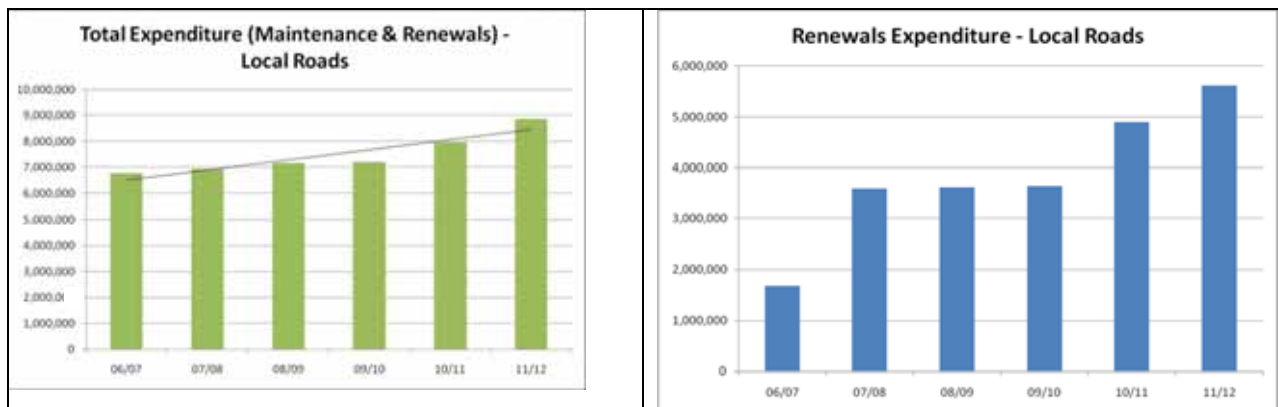
By way of introduction, Ruapehu has a total roading programme of some \$16 million. The Maintenance and Renewal component affected by the proposed FAR review is some \$9 million. NZTA's investment into Ruapehu's roading programme totals \$11.3 million. Ruapehu is characterised by a vast network spread over one of the largest geographic areas of New Zealand, and a low permanent population, this equates to a population density of 2.1 people per square kilometre. Adding to roading and funding pressures are the large areas of unrateable crown estate, and the 1.9 million tourists who visit the District annually.

(a) Ruapehu's Leadership In Roothing Efficiency: Ruapehu has been recognised nationally over the past two years for its efficiency and innovation in road management. Ruapehu staff have been invited to speak at several conferences on its pioneering rural roading innovation including the '2010 Local Government Transport Forum' and the recent 'Low Volume Roothing Workshop'. The Council needs to be recognised, not disadvantaged, for its national leadership in rural roading management and efficiencies. These innovations and efficiencies include:

- Road Reconstruction Efficiencies: In 2010 Ruapehu pioneered an alternative method of road reconstruction in partnership with GHD and Dr Greg Arnold, formerly of the LTNZ Research Centre (Christchurch), to reduce road reconstruction by an average of \$130,000 per kilometre. The approach analysed heavy transport demand, aggregate strength across the District and road geology, to design and construct roads to appropriate depths based on these two factors.
- Valley Meetings: Ruapehu has pioneered the prioritising of minor safety works with local farming communities through annual woolshed (Valley) meetings where the local communities identify the priority works in their areas and ensure that funding is spent on actual priority works. The approach also provides a way for rural communities to contract under the principal for works in their areas. The approach brings a realistic spend to a nationally problematic category of works and provides an effective economic stimulus to rural communities.

(b) Problems with the Proposed FAR Calculation in Ruapehu: Important components of the FAR calculation are property valuation assessments (as a proxy for affordability), and the degree of local investment into the agreed roading programme. These significant factors are moderated by the national comparison of other authorities on the same indicators. The calculation for Ruapehu does not match the reality of Ruapehu's situation in 2011:

- (ba) **Problem 1: Investment into the Ruapehu Roothing Programme:** Ruapehu has increased its investment into its roading programme by \$2 million in the past two years. The Council did so following a serious review of roading investment in 2007 in response to NZTA Technical Audits. From 2007 to 2010 Ruapehu District Council implemented a major organisational review to save 22% on overheads and pour these savings into its roading programme. The investment into the programme, and the sacrifices the Council made to do so, have been roundly praised by NZTA staff in both Technical and Procedural Audits 2010. The following graphs illustrate the increased investment Ruapehu has made into its roading network:



Notes on Figures:

- NZTA funding categories that split 'maintenance' and 'renewal' changed between 2006/07 and 2007/08. That is partly why there is an increase in renewals in this year.
 - From 2010/11 sufficient funding from organisational restructuring became available, as well as the strategic investment advice, to substantially increase investment into road renewals.
 - Council's long term focus has been to shift the ratio between maintenance and renewal in favour of renewal expenditure. In the medium term an increase in renewal expenditure will result in less maintenance as we treat our most vulnerable roads.
- (bb) **Problem 2: Property Valuation Data for Ruapehu:** Overall property values in Ruapehu are considerably lower than the national average. 2011 valuations just released show a drop of 13.4% in Ruapehu, with farm valuations dropping 16.5%, forestry 23.4% and residential by 16.8%. This is a significant drop from the 2008 valuation. The 2008 valuation increased property values artificially due to the nationwide buoyancy in properties. With property values in Ruapehu being so much lower than the national average, it was expected back in 2008 that their increase would have been higher at that time.

Overall National Proposed FAR Trends

From the attached proposed national FAR movements, we note with dismay that amongst those to have proposed drops in their FAR are many of the least well-off areas in New Zealand (including with Ruapehu; Kawerau, Buller, Grey, Far North, Whangarei, Gisborne). The trend of those who have benefitted by increasing FAR rates, or no-change, are almost every city, and wealthy Districts - many located in the hinterlands of major cities. Whilst there are exceptions to this, the overwhelming trend is obvious and alarming to Ruapehu and a number of other Territorial Authorities.

We are confident that the Board of NZTA will consider Ruapehu's situation independently and retain our FAR at 62%. This Council has undertaken an incredible programme of restructure and efficiency review to meet its funding obligations – more than other councils can claim. We take pride in rural roading leadership and we ask that this outstanding commitment now be recognised appropriately by the Board.

Yours sincerely



Sue Morris JP
MAYOR



David Hammond
CHIEF EXECUTIVE

Attachments:

- 1 FAR rates by local authority
- 2 2011 valuation data for Ruapehu District
- 3 Subsidy rates

CHANGE IN FAR RATES

K1 = 44.2
 K2 = 28.0

Region #	AO #	Approved organisation	Approved base rates:	Base rate indicators	Change in FAR Adjusted to PFM policy	Recom. 12/15 base FAR	Change in local share	
			09/12	12/15			(\$K)	(%)
Column No:			1	2	3	4	5	6
4	21	Kawerau Dist	67	58	-4	63	18.1	####
10	50	Kaikoura Dist	47	40	-3	44	21.4	5.36%
12	63	Buller Dist	60	56	-2	58	62.6	4.76%
12	64	Grey Dist	62	58	-2	60	83.3	5.00%
8	39	Ruapehu Dist	62	57	-2	60	160.7	5.00%
11	54	Ashburton Dist	47	46	-1	46	85.8	1.85%
13	66	Central Otago Dist	51	50	-1	50	56.2	2.00%
13	67	Clutha Dist	60	58	-1	59	121.8	2.44%
1	1	Far North Dist	56	54	-1	55	221.9	2.22%
5	27	Gisborne Dist	59	58	-1	58	187.3	2.38%
14	71	Gore Dist	56	54	-1	55	34.2	2.22%
3	12	Hauraki Dist	54	51	-1	53	56.2	2.13%
14	72	Invercargill City	60	58	-1	59	75.2	2.44%
1	2	Kaipara Dist	60	58	-1	59	133.6	2.44%
11	58	Mackenzie Dist	54	52	-1	53	22.9	2.13%
9	45	Masterton Dist	55	54	-1	54	60.2	2.17%
7	32	New Plymouth Dist	51	49	-1	50	123.1	2.00%
4	22	Opotiki Dist	51	50	-1	50	20.1	2.00%
3	14	Otorohanga Dist	53	51	-1	52	49.6	2.08%
8	38	Rangitikei Dist	59	58	-1	58	102.6	2.38%
11	59	Selwyn Dist	48	46	-1	47	78.5	1.89%
14	73	Southland Dist	54	52	-1	53	213.6	2.13%
8	40	Taranua Dist	60	58	-1	59	102.2	2.44%
11	62	Waimate Dist	52	50	-1	51	30.3	2.04%
6	31	Wairoa Dist	66	65	-1	65	71.5	2.86%
13	70	Waitaki Dist	57	55	-1	56	73.1	2.27%
12	65	Westland Dist	59	56	-1	58	33.3	2.38%
1	3	Whangarei Dist	52	50	-1	51	163.0	2.04%
3	11	Hamilton City	45	45	0	45	0.0	0.00%
6	29	Hastings Dist	51	52	0	51	0.0	0.00%
8	35	Horowhenua Dist	47	47	0	47	0.0	0.00%
11	57	Hurunui Dist	50	50	0	50	0.0	0.00%
9	43	Kapiti Coast Dist	43	43	0	43	0.0	0.00%
10	51	Marlborough Dist [*]	46	46	0	46	0.0	0.00%
3	13	Matamata-Piako Dist	48	49	0	48	0.0	0.00%
6	30	Napier City	48	48	0	48	0.0	0.00%
10	52	Nelson City	43	43	0	43	0.0	0.00%
9	46	Porirua City	44	44	0	44	0.0	0.00%
9	47	South Wairarapa Dist	49	49	0	49	0.0	0.00%
10	53	Tasman Dist	49	50	0	49	0.0	0.00%
3	16	Taupo Dist	43	37	0	43	0.0	0.00%
4	24	Tauranga Dist	43	39	0	43	0.0	0.00%
3	17	Thames-Coromandel	43	44	0	43	0.0	0.00%
8	41	Wanganui Dist	62	61	0	62	0.0	0.00%
9	42	Carterton Dist	52	53	1	53	-26.0	-2.13%

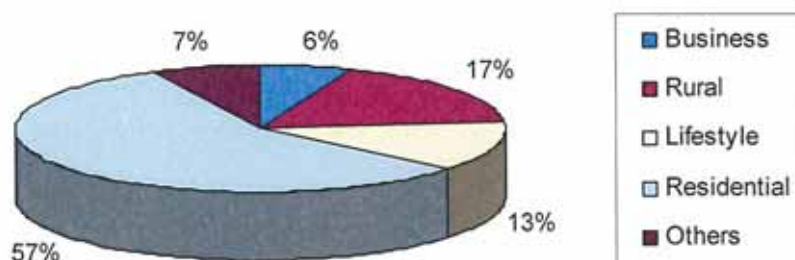
6	28 Central Hawkes Bay	57	60	1	58	-96.8	-2.38%
11	56 Christchurch City	43	44	1	44	-378.9	-1.79%
13	68 Dunedin City	55	57	1	56	-213.2	-2.27%
9	44 Hutt City	47	50	1	48	-130.8	-1.92%
8	36 Manawatu Dist	52	55	1	53	-119.3	-2.13%
8	37 Palmerston North City	46	48	1	47	-81.3	-1.89%
4	23 Rotorua Dist	46	48	1	47	-92.8	-1.89%
7	33 South Taranaki Dist	50	51	1	51	-113.7	-2.04%
3	15 South Waikato Dist	49	50	1	50	-46.3	-2.00%
7	34 Stratford Dist	51	54	1	52	-38.8	-2.08%
11	60 Timaru Dist	52	54	1	53	-101.6	-2.13%
9	48 Upper Hutt City	45	47	1	46	-35.6	-1.85%
3	18 Waikato Dist	52	53	1	53	-200.0	-2.13%
11	61 Waimakariri Dist	49	50	1	50	-80.5	-2.00%
3	19 Waipa Dist	48	49	1	49	-115.4	-1.96%
3	20 Waitomo Dist	58	60	1	59	-81.4	-2.44%
9	49 Wellington City	43	45	1	44	-226.3	-1.79%
4	25 Western BoP Dist	45	47	1	46	-121.8	-1.85%
15	74 Chatham Islands Coun	87	94	3	90	-95.0	-30%
13	69 Queenstown-Lakes	43	48	3	46	-436.8	-5.56%
4	26 Whakatane Dist	45	52	4	49	-335.6	-7.84%
11	55 Banks Peninsula Dist	54					

Quotable Value 2011 Valuation Data: Ruapehu District

Executive Summary

- The overall value of Ruapehu District is \$4.07 billion which is a 13% drop from 2008.
- The majority of properties in the Ruapehu District are Residential (57%) followed by Rural (17%). Lifestyle properties make up 13% of the District.
- Rural properties make up the majority of value of the District (44% based on capital value) followed by Other properties (23%) and Residential properties (19%).
- Farming properties showed a 16.5% drop in capital value which mirrors trends seen throughout the country.
- Forestry properties showed a 25% drop in land value mainly due to the Emissions Trading Scheme (ETS) and its affect on land planted prior to 1990.
- Residential properties in Taumarunui Township were hit the hardest with a 23% drop in values.
- Ohura bucked the trend with only a 1% decrease in capital values coming off low base levels.

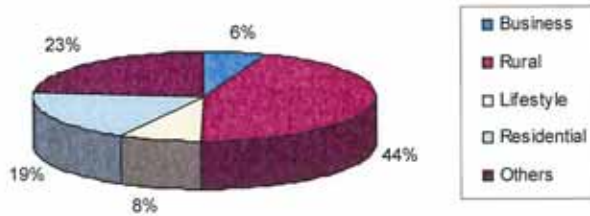
Ruapehu District Property Mix



Revaluation Summary of Movements by Sector

Sector	No. Assts	2011 CV (\$000)	% Change	2011 LV (\$000)	% Change
Farming	1289	1,612,322	-16.5	1,344,037	-17.7
Crop & Specialist	26	22,878	-13.6	16,530	-15.8
Forestry	405	167,390	-23.4	148,713	-25.3
Lifestyle	1247	312,796	-9.4	170,139	-10.4
Residential	5578	764,771	-16.8	275,005	-22.8
Commercial	385	195,869	-5.7	44,717	-15.8
Industrial	211	45,330	-12.2	15,035	-15.3
Other	710	944,575	-5.0	139,718	-17.2
TOTAL	9581	4,065,930	-13.4	2,153,894	-18.3

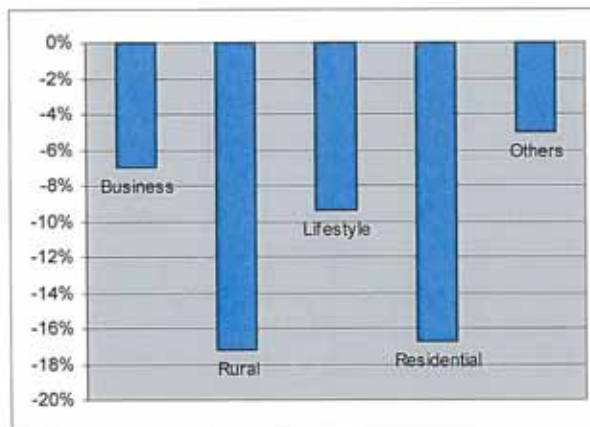
2010 Value of District based on Capital Value



Residential Summary of Average Values and Movements by Sales Group

Sales Group	Locality	No. of Properties	Average 2010 CV	Average 2010 LV	% CV Change	% LV Change
1	Taumarunui	2132	101,537	27,016	-23.2	-23.7
2	National Park	281	202,643	97,579	-14.2	-33.4
3	Ohakune	1352	183,881	85,529	-16.9	-19.4
4	Raetihi	465	106,933	34,268	-12.7	-24.4
5	Ohura	218	29,389	1,785	-1.2	-25.2
6	Taumarunui Rural	608	128,749	35,416	-7.3	-16.7
7	Owhango	140	154,743	65,693	-13.7	-29.8
8	Waimarino Rural	175	321,997	66,185	-11.8	-31.1
9	Rangataua	204	147,529	76,853	-12.1	-15.6
	TOTAL	5578	137,105	49,302	-16.8	-22.8

Capital Value change by Category



NZTA Subsidy Rates

Category	FAR Rate	Budget 10/11	NZTA Share
Maintenance			
Local Roads	62%	3,183,733	1,973,914
Special Purpose Road (Ohakune Mountain Road)	100%	216,500	216,500
Renewals			
Local Roads	62%	5,160,000	3,199,200
Special Purpose Road	100%	276,000	276,000
Minor Improvements			
Local Roads	72%	719,655	518,152
Special Purpose Road	100%	55,854	55,854
Emergency Works			
Base Rate	62%		
Escalates depending on expenditure	up to 92%	3,613,943	3,288,688
Construction Work - Project Specific			
Project Base Rate	72%		
eg Okahukura Saddle Road seal extension	73%	1,321,000	964,330
Whanganui River Road Seal extension	79%	875,186	691,397
Ohakune Mountain Road projects	75%	200,000	150,000
Total		15,621,871	11,334,035