
From: [REDACTED]
Sent: Monday, 6 May 2024 1:42 pm
To: haveyoursay
Cc: [REDACTED]
Subject: Submission on Waitomo Long Term Plan 2024/2025 Forestry Differential District
Roding Rate
Attachments: Paraheka Holdings- Forest Consultation 4.pdf

Caution! This message was sent from outside your organization.

[Block sender](#)

Hello

I would like to submit the attached submission to the Long Term Plan 2024/2025 consultation to close 17 May 2024.

I would also like to speak about the matter in the hearing scheduled for 28 May 2024.

I can be contacted at the above email address.

Regards

D Kelleher
Paraheka Holdings Limited

Please confirm you have received this submission.

(NB - I sent earlier this submission to info@waitomo.govt.nz, but discovered this specific email later)

Denis Kelleher
Paraheka Holdings Limited
C/O Spencers Chartered Accountants



Mr Ben Smit
CE Waitomo District Council
Queen Street Te Kuiti 3910

Submission concerning Waitomo Long Term Plan for Additional Rate Funding from Forestry Properties.

Dear Mr Smit:

I am submitting comment on issues raised in your letter dated 9 April informing me of your proposal to make a differential District Roding Rate (DRR), depending whether exotic forestry is present on the taxable property.

Your premise appears to be that the logging of exotic trees with requisite logging truck trips over local council roads causes disproportionate road damage now, and which you believe will dramatically increase in the future. You want to impose now additional road charges on exotic forest ratepayers. You propose to raise the DRR between 6 and 12 times the current charge.

Concerning our current annual rates, they have a land value of \$4.85 million and a CV of \$5.37 million. The rates charge is \$19,594.20, that includes a DRR of \$6,383.30.

A 6 times charge would make the DRR \$38,299.80 and a total charge \$51,510.18, a 262% increase,

A 12 times charge would make the DDR \$76,599.60 and a total charge of \$89,810.50, a 458% increase.

These are big numbers, and clearly unreasonable increases.

Nowhere in your letter or the proposal sheet do you mention how the 6 times and 12 times factors were arrived at. I would appreciate an explanation on how these were estimated.

You also state in your letter that “The capital value (CV) of forestry properties does not reflect the true value of the trees. This results in a much lower CV compared to a pastoral or dairy property of the same size, which means forestry properties are charged much lower roding rates than other rural properties, despite the far greater damage the activity has on our roads.”

Trees are a crop. We are tree farmers, much as the Council has maize farmers, sheep and beef farmers or dairy farmers. Because our crop is harvested every 30 years or longer (or maybe never depending on circumstances), it may seem they are part of the land, but they are not. They use the land, much as sheep and cattle graze the land, maize growers grow and harvest their crop, and dairy farmers produce milk. I don't think any of these harvests are included in the land valuation.

I found your examples of Category A and B very misleading. You have CVs of a 265ha pastoral property at \$2,860,000 and a similar sized forest exotic property at \$777,000. The forest block has a value of 27% of the pastoral block.

Unfortunately that is not the situation I see when I compare my valuation to neighbouring pastoral properties. Our land valuation has gone up over 50% in the past 3 years, certainly tracking pastoral properties.

CVs represent land value plus improvements. Forestry properties will generally not have major improvements, while pastoral properties will have some, including property such as houses used for personal use. This will cause some inflation in the pastoral valuations.

Also, all land is not the same.

I imagine most exotic forestry properties in Waitomo are likely located on steep marginal land in more remote regions, that were originally purchased because the land was "cheap" compared to better situated, well tended and more gentle land that has had the benefit of good management.

That land was cheap because it deserved to be "cheap". The planting of trees, in many cases converting marginal pastoral or reverting land to productive use, has probably resulted in achieving a higher CV compared to what it would have been. Maybe don't compare forestry land to pastoral land, compare forestry land to bush land. Then value that. Not such a good result for the Council.

I believe the above factors explain much of your stated differential, not a bias for "cheap" forestry valuations.

I object specifically to this proposal, and would make the following points:

1. This is a land use tax, not a road usage tax.

This tax charges exotic tree plantation owners, regardless of whether they have "disproportionate" road usage or not. There is no measure that this usage is taking place, only an assumption "that it has or it will". Effectively this is a tax on a legal land use which is unappreciated by the Council, who wish to penalise all plantation owners to subsidise road users.

2. Heavier vehicles are already taxed substantially higher through Road User Charges (RUC).

The Council benefits from these higher RUCs through the Funding Assistance Rates (FAR) of the National Land Transport Fund of the central government for eligible projects and activities, including road maintenance.

The FAR for Waitomo is estimated at 75%, well in excess of the overall average of 53%.

Looking at RUC rates, the rate for a 2 axle vehicle under 3500 kg (RUC 1) is \$76/1000 km.

The rate for a 4 axle vehicle (RUC Code 14) is \$435/1000 km.

The truck is paying an RUC charge almost 6 times higher than a passenger car.

The Council cannot take the FAR benefit arising from these higher RUCs and say – no trucks please.

3. Heavier trucks for forestry are being specifically targeted.

There are other users of heavy trucks on Waitomo roads. It is unfair that forestry is charged alone.

How many times do you see a tandem Fonterra truck driving local roads collecting milk? These are heavy trucks. Trees might be harvested every 30 years. Milk is collected within 48 hours of milking – 3 times a week? Three collections times 52 weeks = 156 collection a year. Thirty years = 4,680 trips to one location. How much cumulative wear is this doing to local roads? How many dairy locations are in Waitomo ?

Other applications using heavy vehicles:

- Quarries
- Livestock transfers
- Petrol deliveries
- Fertiliser applications
- Construction and Roothing
- Grain shipments

None of these applications are being considered for a differentiated DRR.

I see in the 2024/2025 Rates Examples presented in the Council's Funding Impact Statement that :

Average Value Dairy (CV \$3.6million) have rates estimated to change by 7.5%.

High Value Forestry (CV \$3.1 million) have rates estimated to change by 389%, reflecting the increased DRR.

4. Forest related road activity (over the harvest cycle of say 30 years) is concentrated at harvest time (1-2 year period). Dairy and sheep/beef road activity occurs continuously over that 30 year period.

Pastoral farmers will pay their DRRs each year and "use" the credit with related light and heavy truck movements during the year.

Forest farmers will pay the DRRs each year, and probably have very little road usage annually until harvest time. Then 30 years of little road activity become concentrated into 1 or 2 years. It is intense, it obviously causes wear. Is it disproportionate to 30 years of other users on the road ? I'm not so sure.

I wondered if dairy farms were paying substantially more in District Roding Rates than others. I looked at Trade Me for a dairy farm for sale.

I found 135 Whataroa Road, which was 214 ha, located about 18 km west of Te Kuiti, and described as having enviable contour, compliant effluent storage and a good record of production.

It had a Land Value of \$5.15 million and a CV of \$6.4 million. The DRR was \$7,607 (about \$1,400 higher than ours).

The Trade Me ad said that 497 cows were milking, with production up to 170,000kg/milk solids (ms) annually.

I got my google out and saw the conversion from ms/liquid milk was 1kg/11.76 liters liquid milk. One liter of liquid milk = 1.031 kg.

So $170,000 \text{ kg ms} \times 11.76 \text{ liters} \times 1.031 \text{ kg} = 2,061,175 \text{ kg}$ (or 2,061 tonnes) annually.

Multiplied by 30 years = 61,835 tonnes.

If we say that log loads were 30 tonnes each, that would be over 2000 log loads.

Should foresters annually pay 6 to 12 times the DRR of a dairy farm ?

I don't think so.

You are specifically charging for damage I have not done, nor may never do.

Our trees are about 15 years old. We have never used a logging truck. We would probably not use a logging truck for the next 15 years. But you want to tax now, forever.

We may not harvest. If you can tell me what timber or log prices will be in the future, what harvest costs and transportation charges will be, what the NZ dollar will be worth, what the environmental restrictions will be, then I can tell you if I may harvest.

Certain forest may never be harvested, because they were established as carbon forests. They will never use a logging truck. Yet you want to tax them now.

5. If this tax is imposed, will the money be targeted towards logging related road damage, or simply into a "general fund"?

It seems unfair to tax a specific user for a specific use, then apply the funds to general road works. Is that the plan ?

6. In you letter's penultimate paragraph, you state that introducing a differential rate leaves a funding shortfall. Can you explain how this was calculated ?
7. You then mention that the Council may also impose a targeted rate above the differential rate to pay for the cost of repair upon harvest.

So a ratepayer pays the differential rate for say 30 years. Then when he uses the road for logging purposes, you can come back again and impose an additional targeted rate also (kindly crediting the charges paid over the past 30 years). This seems like 2 bites of the apple !

You might consider application of a charge at harvest only, taking into account activity by other users over the harvest cycle (30 years). This would remove the questions of who, how much, and when, and also help in a calculation of whether to harvest or not.

The National Environmental Standards for Commercial Forestry requires councils be notified prior to harvest occurring in their district. There would be no excuse for not knowing harvesting is occurring in the Waitomo District.