5 DIFFERENTIAL ROADING RATES

Council is considering creating a specialised sector rate to cover road repair expenses caused by heavy vehicles, such as those from the forestry industry, dairy and industrial activities. Let's navigate this together!

Context

Here's the issue – a big heavy load, creates way more wear and tear on our roads, and we need to figure out how to cover those costs more fairly.

Local road repairs currently cost around $5.9 million and are part funded by Council, with Waka Kotahi, New Zealand Transport Agency (NZTA) funding the rest. Waka Kotahi funding comes from fuel taxes and road user charges paid by vehicle owners. So, while it may seem like these charges we already pay should cover road wear and tear, they fall short, and local ratepayers end up paying a portion of these costs.

We know that heavy vehicles cause more wear, so Council is exploring ways to ensure those contributing more to road damage also contribute more to repair costs. The goal is to find a fair solution to collect the amount needed to cover the local roading repairs.

What's happening now?

Currently, ratepayers pay a district-wide rate per land value (80% of total roading cost) and a fixed charge (20% of total roading cost) varying by three sectors - urban, commercial/industrial, and rural.

A significant portion of roading rates is based on land values which doesn't specifically consider heavy vehicle road use. We need to be able to tie the costs to the tonnage moved on local roads and link it back to specific properties.

We can do this by adding a new rating portion – a differential rate that considers tonnage and breaking it down across ten rating categories to ensure it's fair. Those ten categories are dairy, forestry, farming (non-dairy), industrial, commercial, residential, lifestyle, other, mining and Utilities with a land value of zero.

Think about it like divvying up the total roading costs, and each property gets a slice based on how much heavy traffic it attracts. This new approach ensures everyone chips in for the wear and tear heavy vehicles cause on our roads.

We've obtained an independent report from Infometrics and an external expert to determine the estimated total tonnage on our roads, the wear and tear effect, the costs of that wear and tear and an equitable roading rates model. With all that work done, the proposed differential rate requirement is around $1.1 million (excl. GST). Let's look at the options.

Examples of the landvalue differential "heavy vehicle" roading rates for different industries (based on land value averages)

Industry	Average land value of property	Option one - no change	Option two - "heavy vehicle" rate	Difference
Dairy farming	$2,103,944	$2,138.49	$2,584.17	$445.69
Other farming (non-dairy)	$1,903,052	$1,959.26	$1,871.08	-$88.19
Forestry	$1,146,292	$1,284.13	$2,673.94	$1,389.81
Lifestyle	$254,139	$488.20	$398.97	-$89.24
Mining	$276,666	$508.30	$824.68	$316.38
Other	$210,614	$279.51	$359.73	$80.22
Residential	$165,021	$188.89	$155.64	-$33.25
Industrial	$206,203	$275.58	$473.93	$198.36
Commercial	$161,859	$236.02	$250.70	$14.69

Let's take a look at the options

OPTION 1 – No change

No change to rates, ratepayers stick with a familiar system

A simple, easy to understand system based on only two components

No significant shift in roading rates

The system does not take into account heavy vehicle impacts on our roads

Allocation is based on land values and does not reflect the real drivers of roading costs

What is the cost?

No extra cost overall

How does that impact rates?

There is no differential heavy vehicle rate

What is the impact on debt?

NIL

Impact on level of service?

No change

OPTION 2 – Retain the General and Fixed rates and introduce a 'Heavy Vehicle' rate

We prefer this option

This will account for heavy vehicles' impact on local roads

It will reflect more fairly one of the key drivers for roading costs, i.e. heavy vehicles

It will allow Council, as growth and land use occur, to account for the impact on local roads and then allocate costs fairly

There will be flexibility as allocation is now based on 3 elements, rather than just two so Council will have extra options

It means a shift in roading rates

There is complexity to this system

What is the cost?

No extra cost overall

How does that impact rates?

We introduce a differential roading rate for heavy vehicles. Please refer to the Table on p. 36 to see how it affects you

What is the impact on debt?

NIL

Impact on the level of service?

No change

Did you know

It's estimated that the damage caused to our roads by **one 50 ton logging truck** is the equivalent of **8,000 car trips.**

(source: NZ Forest Road Engineering Manual 2020)