

FEDERATED FARMERS OF NEW ZEALAND

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Other Comments

Would you like to comment on any other aspect of this draft 10 Year Plan?

See attached submission



Federated Farmers of New Zealand

Submission to Queenstown Lakes District Council on the draft 10 Year Plan 2015-2025

28 April 2015

SUBMISSION TO QUEENSTOWN LAKES DISTRICT COUNCIL ON THE DRAFT 10 YEAR PLAN 2015-2025

To: Queenstown Lakes District Council

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We wish to be heard in support of our submission.

1. Overview – expenditure and rates increases

- 1.1 Federated Farmers supports Council restricting average rates increases to 1% for 2015/16 (after allowing for growth). Considering for the past two years Council has managed to increase rates only to the level of growth in the District (2%), we consider this is commendable and indicates Council is serious about increasing efficiency and reducing unnecessary spending.
- 1.2 Council is proposing an average annual rates increase of 2.6% during 2015-25, down from 4.6% forecast in the 2012 Long Term Plan. This has been achieved through a reduction in capital expenditure and debt. Federated Farmers supports the reduction in rates increases, the reappraisal of capital expenditure, and moves to make debt levels financially sustainable.
- 1.3 We support the focus on affordability in the draft Plan, and note that forecast external debt levels and operating expenditure are both reduced from the 2012 Long Term Plan.
- 1.4 We commend Council's adoption of a vigorous debt reduction strategy which has resulted in predicted levels of debt falling from \$393m in 2009 to \$134m in this plan. Over the course of the draft Plan, Council will be well within its established debt parameters. The debt ratios show that the affordability position has improved significantly since the 2009 plan, which provides headroom for the Council to carry additional debt in the future if required.

2. Queenstown Convention Centre – Revised Rating Model

- 2.1 Federated Farmers supports the funding of the Queenstown Convention Centre through a targeted rate. This will enable the costs of the centre to be recovered from those ratepayers who stand to directly benefit from the additional commercial opportunities the centre is forecast to provide.
- 2.2 The proposed rating model makes small adjustments to the relative cost of the targeted rate for the commercial, residential, and accommodation sectors. The only cost to the District's farmers (as a result of either model) is a reduction in the ability for QLDC to carry additional debt in the future, and we note there is sufficient headroom to accommodate any core emergency infrastructure debt. Federated Farmers supports the proposed rating model for this facility.

3. Wanaka Pool

- 3.1 Council is seeking feedback on whether the Wanaka Pool project should begin now with the rate charged from 2017, or the pool and rate be deferred until 2023. Feedback we have obtained from our members within the Wanaka area indicates a preference for the pool to proceed now rather than be deferred.
- 3.2 We note that the Wanaka Community Pool is to be funded through a targeted rate paid by Wanaka ratepayers, which is consistent with the way other pools or recreational water facilities are funded in the District.

- 3.3 Federated Farmers supports Council's rating approach for the Wanaka Pool, which recognises that the benefits of a swimming facility are for the local community.

4. Transport Planning

- 4.1 We support Council's efforts to reduce congestion in central Queenstown by encouraging tourists and residents to utilise alternative transport options.
- 4.2 Council proposes to invest in public transport and improve footpaths and cycleways, making alternative transport options easier and safer. We support the neutral impact on rates of these initiatives by increasing parking charges in central Queenstown.
- 4.3 In terms of rural roads, we note that Council has proposed to reduce the capital cost of roading by \$68m or 37% over the next 10 years. The consultation document states "This is not expected to result in any change in the level of service (quality of roads)." Federated Farmers is concerned that a reduction in costs to this degree could have an impact on rural road servicing.
- 4.4 Federated Farmers would like to see some on-site consultation between the Council (including roading engineers), and those that live on rural roads e.g. farmers who know the traffic patterns and pressure points. This would be an effective way of identifying where the biggest improvements could be made for the least cost.
- 4.5 Federated Farmers is concerned with the way local roads are funded. We consider that roads should be funded according to road use not the value of a property. A major problem in districts such as Queenstown Lakes is the heavy tourist traffic on many of its rural roads. This tourism traffic imposes costs on the roading network but the funding system does not adequately recognise this and an inappropriately high burden is placed on rural ratepayers. Apportioning some of these costs through the UAGC, as expanded on further below, is an appropriate way to address some of these concerns.

5. Frankton Library

- 5.1 Council is proposing to build a library hub in Frankton in 2020, at an estimated cost of \$5.3m. Federated Farmers has no view on the proposed option, our concern is primarily in respect to funding.
- 5.2 We support Council seeking external funding for this project. The Council proposes to debt fund this project and indicates a potential rating impact per household, per annum of \$36.50.
- 5.3 Federated Farmers broadly supports Council's current rating approaches for community facilities of these types. The district-wide targeted fixed Sports, Halls and Libraries Charge recognises that it is a 'person activity' that acts as a district-wide resource.

6. Water and Wastewater – a standardised rate

- 6.1 We have no opinion on the proposed changes to the water and wastewater rates.
- 6.2 Overall, we support Council's targeted rates approach to funding the water and wastewater systems that ensure those who benefit from the systems are paying for them.

7. Funding policy

- 7.1 Federated Farmers supports Council's extensive use of targeted rating differentials, and targeted uniform rates. Overall Queenstown Lakes District Council's use of intelligent rating tools ensures that those within the Primary Industry category are asked to pay a reasonable share for activities that provide a general public good. Where Council can specifically identify portions of the community that do directly benefit from an area of expenditure, this is reflected in the use of targeted rates.
- 7.2 This intelligent use of rating tools results in a clear alignment between the level of expectations from ratepayers receiving the service, and the level of service offered by Council. For those in the Primary Industry rating category, Council's use of these tools mean that costs are not arbitrarily lumped onto those with relatively higher property values.
- 7.3 This a particular concern in the Lakes District where primary production land is often valued more for its subdivision potential than the underlying productive capacity of the land, and where a failure to make use of these targeted rating tools would seriously undermine the economic viability of farming in the District.
- 7.4 We support the proposed increase in the UAGC. We consider that the proposed increase of \$11 for 2015/16, to \$73 per property, is the minimum; as in previous years we believe the UAGC could be increased further to fund a greater proportion of activities. Legislation allows councils to recover up to 30% of rates through a UAGC, and Council is forecast to recover only 2.8% through this charge, in 2015/16.
- 7.5 This leaves significant scope for opportunity to make better use of the UAGC. Federated Farmers considers that the contribution the UAGC makes to those activities currently funded through this mechanism is reasonable (cemeteries, community development and grants, property including Wanaka airport, and a portion of District Promotion). Our view is that the UAGC could be increased to fund a portion of other activities currently funded through property value based rates, for the portion of those activities where the incidence of that benefit is roughly equal to all ratepayers.
- 7.6 One example is roading. Queenstown's local roading network is currently funded through road use derived revenue through the NZTA's roading FAR (funded through fuel taxes, road user charges and licensing and registration revenue), and through Council's contribution. Given the NZTA's contribution theoretically covers 'use based' costs for the District, Council's contribution to the local roading network is more to reflect the local benefit to ratepayers and residents.

- 7.7 The distribution of this local benefit derived from roading is considered to some extent in the land use, ward based targeted differentials for roading; however we consider a UAGC contribution to the District's roading costs would also reflect the 'general, per person' benefit that the network provides to all ratepayers. We note a number of neighbouring councils (including Southland District and Clutha District) have a UAGC contribution to roading for these reasons.
- 7.8 Roading is just one example where an increase in the UAGC would make a positive contribution to Council's funding policy. There are other areas of expenditure (particularly, Governance and Regulatory) where an increased UAGC would better reflect the 'per person' benefit of a portion of these activities (i.e. for 20% of the category's rating costs).

Recommendation:

Federated Farmers supports Council's extensive and intelligent use of targeted differential rates and targeted uniform rates.

We support the proposed increase in the UAGC by \$11 for 2015/16, as a minimum, and we encourage Council to increase the UAGC to fund a portion of the Council's local share contribution to the District's roads.

We also ask Council to consider other areas of expenditure, particularly for Governance and Regulatory expenses, where an increased UAGC could make a contribution.

8. Water Demand Management

- 8.1 We note that in November 2014 the Council approved a trial of water metering. We support Council undertaking community consultation in future if the introduction of water metering is considered.
- 8.2 As we noted last year, consideration needs to be given to the differences between 'fixed costs'; particularly capital investment in water quality, and 'marginal costs', the operating costs associated with getting the required body of water to the end user.
- 8.3 It is our view that in order to be truly equitable, cost effective, and in order to drive appropriate good individual decision making around both water use and expectations for water treatment, these different cost structures should be treated differently. Specifically that there should be separation of, and separate allocation of capital and operating costs through a water charging approach.

9. About Federated Farmers

- 9.1 Federated Farmers welcomes the opportunity to submit to the Queenstown Lakes District Council's draft 10 Year Plan 2015-2025.

- 9.2 Federated Farmers of New Zealand is a voluntary, member-based organisation that represents farming and other rural businesses. Federated Farmers has a long and proud history of representing the needs and interests of New Zealand farmers.
- 9.3 The Federation aims to add value to its members' farming businesses. Our key strategic outcomes include the need for New Zealand to provide an economic and social environment within which:
- Our members may operate their business in a fair and flexible commercial environment;
 - Our members' families and their staff have access to services essential to the needs of the rural community; and
 - Our members adopt responsible management and environmental practices.
- 9.4 Federated Farmers wishes to be heard in support of its submission.