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## WORKSHOP SESSION 1

**Warren Webber:** It has been a great session so far and we have appropriated a whole hour between now and lunch to encourage discussion and debate around what you have heard in the first session.

- Eligibility
  - Donor / Recipient land
  - all 200tN (LMC and LUC)? Or only definitive LUC?
  - from what base? (benchmark or prudent practice?)
  - minimum qualifying reduction? (500kgN in PDP)
- Quantity (capped?)
- Value
- Size (kgN per TDR)

This slide attempts to summarise some of the topics and issues that have been raised. We are not going to do anything warm and cuddly like break out into groups or put post-it notes on the wall, we are going to talk together. We will look at the slides, if people have got questions that are specific to this morning's sessions then we will address those as well. Please do not be limited to anything that is on there, I just invite your questions and debate.

**Giselle Schweizer, Dairy Farmers Collective and member of the Stag Group:**

A question relating to Anna Grayling and Simon Park's presentation that I want clarified in terms of the double dipping. I missed Kevin Winter's question on that so I do not know what was said earlier, but I hope I have misunderstood Anna's assessment of the double dipping feasibility. It was apparent from Simon Park's presentation that we do need to have double dipping. His slide showed how much of the loss could be mitigated by the incentive scheme, an additional amount of loss could be mitigated by the TDR scheme and but there was still a lot of loss that the farmers were going to have to wear. So to me that shows why double dipping is essential, because even with double dipping farmers are going to bear probably 50% of the loss. It fits in with the principles that Anna had of equity and fairness and it is not in any way, manner or form contrary to those principles.

But my concern was that Anna Grayling said something about not being able to double dip, could Anna clarify if possible.

**Warren Webber:** A very apt question. Perhaps before we answer that could I invite the speakers from this last session to come forward and we can reference this workshop please.

I will have a crack at this question in the first instance because I answered the Mayor's question earlier on. I have tried to encourage the term double dipping not to be used because it has negative connotations. However we all know what we

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mean. By double dipping we mean that it is additive. There is a base incentive, call it Anna's cheque book. We also have a TDR which is an additional incentive and we will call that Liam's cheque book. What our society is promoting is that the same kilogram of nitrogen can qualify for Anna's cheque book and for Liam's and therefore the two will be additive. That is what our intent is. Now perhaps we could ask Anna to see whether that is what she meant or not.

**Anna Grayling, Bay of Plenty Regional Council:** Yes it is clear that it is about the principle of equity and fairness. It is fair and appropriate to have both TDRs and also incentives. It depends on the figures that we are talking about. What we do not want is to have somebody with the perception of getting both if they do not need them. For example if somebody had 500 kgs there is no assumption about being automatically eligible. But it can be additive. We have not come to any of the funding criteria for the incentive scheme so I am not going to say, 'Yes everybody is going to get cash' at the moment, because I cannot say that on behalf of the Regional Council, but the principle is additive. There is nothing to say if you get one you cannot get the other.

**Gisele Schweizer:** I do not understand what you are saying about the 500 kgs. That is what you started from and then you went on to say it probably could be additive for large amounts, but you are saying in a small amount it will not be additive. I do not understand.

**Anna Grayling:** We have not made the decision on that yet through the incentives fund. The principle is that if it is fair and equitable and if what Simon is showing is fair and equitable on a 500 kg basis because people are going to suffer that much loss, then that is fine.

**Warren Webber:** Simon, I wondered whether I could ask a question about some of the detail. Your presentation was excellent in terms of its demonstration of what can happen. I was a little concerned that we were comparing a 100 hectare dairy farm with a 100 hectare dry stock farm, because it could well be that TDR eligibility changes significantly if you have 200 hectares of dry stock farm.

**Simon Park:** That is quite right. You would need to multiply them out. The average dairy farm in the catchment is around 200 hectares. There is a huge range of dry stock farms because there are many small blocks right through to very large units, including Maori Trusts and it is hard to talk about averages. So it was a little crude, just selecting 100 hectares. You have to multiply or divide. Larger dry stock farms are more likely to meet the threshold, but proportionally it is going to be more difficult in the numbers I was playing with.

**Don Atkinson, LWQS:** I want some clarity and discussion around this 500 kilograms. There is some misunderstanding. I understand the 500 kilograms to be the minimum reduction needed to qualify for a TDR. But if one adopts 100 kilograms per TDR one would be getting 5 TDRs. Under the District Plan there is 500 kgs and it is being interpreted as one TDR per 500 kilograms of nutrient

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reduction. That is a factor of 5 and it has a huge impact in respect to the financial contribution this is going to have.

If we step back a moment and accept that we have 270 tonnes to come out and say 100 tonnes are going to be incentivised. At 100 kgs per TDR that would mean 1,000 TDRs as the maximum level. If we are at 500 kilograms per TDR we are down to only 200 TDRs being available in the market place for a 20 year period. I do believe that the market has the ability to absorb the 1,000 TDRs if we can target those premium places.

The value of the TDR will be determined by the market and in relationship to the value of the section, not by the number of kilograms that makes up the TDR. So we are going to say, 'This programme will produce either \$20 million on one side, or on the other side, it is going to produce \$5 million.' It is not worth getting out of bed to make \$5 million for all the work that will go in. I would like comments in respect of this please.

**Neil Oppatt:** I am happy to answer that. I do not know what the exact fall out of the numbers will be, but we need to minimise the loss for a handful of farmers. The only way we are going to minimise that loss is to squeeze every last dollar out of a TDR. So my thinking, and once again I have not tested it with colleagues and members of the StAG Group, but I thought we were looking more like 100 kilograms per TDR. Put in this context, and it is hard to know, we are probably talking about 2,000 properties in the rural area that will not be reticulated, that are below 40 hectares. I have heard about 1,500 between 0 to 2 hectares in area. So Don your 1,000 might be a 50% increase on what is there now, when you look at the size of the catchment and over 20 years, if you spread it out. Hopefully sooner or later the recession will be behind us. If we are able to choose the most attractive sites, and not too selective about how small a recipient block can be, and spread across Lake Rotoiti as well, there are a number that would attract a good price per TDR. Don talked of \$20,000 and Simon talked of \$30,000 a TDR.

We are therefore talking of lot values in the Rotorua/Rotoiti catchment of around \$250,000 up to \$1million if you stepped out into the water and had a 1,000 square metres lot. As a percentage on a \$300,000 lot the TDR would be about 6% of the total cost and if that 6% means you do not have to grind your way through the planning process its very very good value for money. It does not take much to work out that if the process is seamless with few costs, there is potential to get what Simon suggested, \$30,000.

I was interested to hear what Phillip said about Western Bay. There are parallels there, he was talking of \$20,000 to \$25,000. I come back to the fact that we have to make these TDRs really valuable to reduce the financial hurt on a handful of people who are very much a major productive part of our community.

**Warren Webber:** Ok, thanks for that Neil. In the Beca Report which was part of the lead up to some of the science surrounding this programme, it was suggested that there is only a market for 20 lifestyle blocks per annum over a 10 year period,

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a total of 200. If we sized our TDRs at 200 kilograms and we capped the quantity, and no one is suggesting that we will, but if we did, that would only be sufficient to incentivise 40 tonnes. Frankly, as Don says, it is not worth getting out of bed for. We need to incentivise 200 tonnes, or if we spread it over what we currently call land management change and land use change, limiting it to conversion from pasture to forestry, we still have to incentivise about 100 to 130 tonnes. Don commented about the size of the TDR, I would say that if we are going to go with those levels then the TDR size needs to be 200 kilograms and we will end up with a 1,000 TDRs. If you go with this bit down here the size of the TDR needs to be 100 kilograms to give you 1000 TDRs.

We do not need to worry about capping. We have either 100 to 130 or 200 to incentivise, so we will end up with a natural cap of about 1,000 TDRs if we size it right.

A question of Phillip Martelli. I was interested in your comment about how you left it to the real estate agents to sort out the administration. Could you expand on that. Gwyn Morgan is talking about administrative mechanisms later on, but a brief comment to clarify please.

**Phillip Martelli, Western Bay of Plenty District Council:** It was a conscious decision from Council's point of view not to get involved in that part of the market; and let the market sort it out. We found two or three surveyors and a real estate agent who took charge, identified the bush and did the wheeling and dealing. At the end of the day it all comes to us through a subdivision application, and that was the stage we wanted to get involved. One of the reasons why our TDR values were so low was that it was controlled by two real estate agents and they felt that the value of \$20-\$25,000 was fair and would not deal with any farmer who wanted to sell their lot for more. We believed they should have been worth a lot more, certainly on high value sites. In talking with the exact same real estate agent about high value sights, lifestyle blocks with lovely views are worth about \$300,000, one could afford to pay up to \$100,000 for the TDR and there would still be a \$100,000 profit.

It is important to know the market and where the value is at the other end. If it is for low value sites then those people will only pay for low value TDRs and that is not attractive to the farmer. I cannot comment about this area, but the figures need to be worked through in terms of the things that Simon was saying and where is the cut-off point.

One reason why we did not get involved with a register was it meant a lot more work for Council. Why should we get involved and almost become the sales agents when in fact the market itself was doing it for us.

**Warren Parker:** One of the propositions in this is land and capital values and anyone who has been involved in any aspect of farm valuation knows that broadly it runs at so many dollars per kilogram of milk solids. Generally if you increase your production you get a higher land value. The importance for a farm in the long

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term is profitability and free operating cash flow. I am interested in what the base level for capital valuation is and why that is driving so much thinking here. Secondly, thinking about the types of schemes to encourage behaviour, what is the merit of a TDR versus getting the ETS working properly, paying a proper price on carbon which would encourage proper land use change.

**Warren Webber:** I would like to think that you were right about the ETS. I will put my hand up and say, 'Let's make that additive as well'. Would anyone like to respond to that please?

**Neil Oppatt:** I would say once upon a time we did think it was going to be one of our major tools, it has not gone away.

**Warren Parker:** Capital values are an important factor and the market operates in capital values as we have seen with the lift in dairy farms from 2007 to 2012. Where will we set that and why would we protect it at that particular valuation? How do you work it out over a 20 year period?

**Simon Park:** I am the one who put capital values up on the screen with some trepidation because I am not a valuer or a developer. I drew on the numbers that were in the Farmers Solutions Project and they came from Reid and Reynolds, a leading local valuation firm. They indicated dairy farm values of around 25,000 a hectare which is less than what it is in other regions because of the current constraint under Rule 11. They suggested that dry stock values were around 10,000 a hectare. They might have been rough estimates but they were good enough for that analysis.

When you look at the value loss on a dairy farm for land use change as a capital value calculation and compare it with the impacts in terms of farm profitability, it suggests that dairy farms valued about right in terms of the profit they could make per kilogram of N leached. It comes back to a question of how relevant are these capital values in the calculation. It is very much to the forefront of farmers' minds when thinking about potential losses they could be facing.

Where it became more difficult was on dry stock valuations. Even a fairly modest one of 10,000 per hectare, because of the comparatively lower profitability despite the lower leaching, the analysis suggested that it was overvalued. They were likely to suffer the greatest value loss, which could not be represented in farm modelling and profit and loss calculation. In a sense the market was not behaving rationally in valuing dry stock farms at that level.

We have some expertise in the audience, Bernie from Rabobank and Brett from NTech, who probably know more about these valuation issues as well as what the likely demand for lifestyle blocks is, because clearly without adequate demand the whole thing looks a little shaky.

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**Warren Webber:** We have two questions outstanding but we will hold these for the moment and ask if one of the valuers or consultants would like to respond to that topic.

**Bernie Gardiner, Rabobank:** I was going to raise a question on the values anyway because I believe Reid & Reynold's (now called TelferYoung), valuation would be based on comparable sales. If so, \$20,000 would seem fairly light and unfortunately because of the comparable sales utilised for a base or benchmark for those valuations it would generally take account of the negative connotations of being in the catchment. In effect the farmers are getting penalised twice and those values used earlier would mean that the actual loss to the farmer could be quite significantly higher than what was portrayed.

**Dan Marsh, Environmental Economist, University of Waikato:** In the past I have been invited to address the LakesWater Quality Society on different issues including who should pay. I am not sure if this is the right time to bring a perspective which has been somewhat missing. There has been a great line up of speakers but the one perspective that you do not seem to have so far is that of an Environmental Economist. We do specialise in looking at costs and benefits of different policies from an overall point of view. What I see here is a proposal to raise money by restricting the ability to subdivide. Effectively it is a proposal to sell off the right to subdivide and the suggestion that in some sense this will raise money. But it is not raising money; it is what we call a transfer payment. It is a movement from one place to another. It is important to be clear when talking about some of the questions here. If we decide that the right to subdivide has to be purchased and that that will have a certain value because the supply will be restricted, someone has to pay for that. The people who are paying for it are the developers and those that would like to live in rural areas who end up paying more. What we have is a proposal to tax these people. We have a proposal to use that money to pay to farmers to persuade them to reduce their nitrogen.

Now this may well be a good way of doing it, but we need to be clear that that is what we are doing. When talking about how to design the TDR in order to maximise their value, we are really saying, 'How much should we tax developers and those who would like to live in rural areas in order to transfer it to farmers?' Obviously the more we restrict the supply the more we make their use flexible and certain, the more we are effectively making that transfer.

This may or may not have been the right time to make those comments but I hope they bring a useful, different perspective.

**Neil Oppatt:** I agree with you totally. What you are saying is correct and is exactly what we are doing, but we have to look at it in the context of the big plan. There are a number of people in this audience that have had to put their hands in to their pockets and change the way that their household effluent is dealt with. Tax payers, ratepayers of the Bay of Plenty region, Rotorua district ratepayers have all been required to put their hands in their pockets to provide incentives for lake side communities to be reticulated.

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When you go right through how we get down to the required sustainable nutrient load, it is what Councils do. Councils look at the impact of trying to achieve something on the affordability of the community to be able to undertake what is in essence for the greater community good, or some might say, is your responsibility. Our Council is upfront. Yes it is a transfer of money from one side, but personally this whole issue is about the right to subdivide; I have always understood that nobody has a right to subdivide. The community confers that right on a property. When we produce a district or regional plan the community is conferring ability for somebody to extract some wealth out of land they own that may not have had that right when they purchased that property.

The community is conferring a right to property owners through a TDR system and for that there is a fee. That fee helps a part of community because of the rules, not because incentives are going to be provided. It is a requirement and TDRs provide that ability. We can do it through straight taxing. We cannot do it through Regional or District Council rates, but as part of the formula. You are saying it is another form of tax but when you look at it in its totality my colleagues and I have made a decision that we believe that it is right and fair and a way of achieving reducing the nitrogen load.

**Warren Webber:** Before we move to the next question I would like to say that I do agree with you Dan in the sense that it is the transfer of costs. However as part of this process, depending on how the recipient and donor zones are zoned in the future District Plan, there will be mitigation of costs on the developer. That chap down the road from John Green who paid \$75,000 may not incur such costs if he is able to purchase a TDR to achieve the same thing. There may be some transfer of revenue away from surveyors, consultants and lawyers and a few different transfers, but it is an umbrella. I accept what you say though.

**Phillip Martelli:** A quick response from a subdivider's perspective. In our situation there was no option to subdivide so by putting this in place there would be an opportunity not available before. In which case a subdivider would be more than happy to have to pay, because they can make money they were not able to before. You are right in theory, but then you have to look at the practical reality of what happens in the market. There needs to be flexibility.

**Te Taru White, Federation of Maori Authorities:** I am trying to get my head around all this as a trustee on a farm that is milking 1,150 cows on a 1,600 hectare property on the shores of Lake Rotorua and Rotoiti, and the Kaituna and Ohau Channel. Clearly we have the Council on our back in my view as we track this through, and it is a picture of change or be damned. If we do change and decide to go down that track my gut feeling on the figures that I have seen is in the vicinity of a \$1-2 million loss. We are here for the long term, we are not going away, we are not like corporate farmers, and whatever it takes to contribute to cleaning up our lakes we will put up our hands.

However, getting back to the land use change and land management issue, Don defined it very clearly as a change from dairy farming to goat farming. Anna

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mentioned that it is for matters of certainty. I saw the numbers reaching 25 kilograms of nitrogen for a 100 hectare farm that was profit which is hugely challenging. I am assuming that it is based on the traditional grasslands models of farming which is the paradigm that is in the industry right now. I have been working with people looking at clean energy models of farming that focus on the soil as part of the nitrogen reduction regime, getting back to a more natural way of farming. What benefits that might add in addition to the on-farm mechanics of feeding platforms, reducing stock sizes and other things, which we are prepared to examine.

We are prepared to take the challenge looking at methodologies on farm management that can contribute and go beyond the thresholds you are talking about. That might take us 5 years but we would rather invest in that process than accept that we must go to land use change and something else. If it is land use change then we will go down that track, but how was that sort of philosophy incorporated in the value add of this whole system? I cannot track everything through myself, but I have to go back to my trustees and articulate to them that our future is looking rather bleak. I have already said that and challenged them by saying, 'Is this a business we can afford to be in?' This is why we are now looking at other models of farming because we do like to dairy farm. It has been very good for us over the last 17 years. We have been part of the contribution of a billion dollars' worth of enterprise that has contributed annually to this region and why not? Why shouldn't we continue? The challenge for us is on the cards and I want to know whether the type of thinking I am talking about is valued in the whole scheme of things?

**Simon Park:** The Regional Council probably has a pretty flexible and broad take on what might be considered in nitrogen mitigation. The numbers I used were conservative industry standard approaches using farm modelling software to look at profit and *Overseer* to look at nitrogen loss. The number I put up of 28 was what a recent expert panel considered in the Rotorua Catchment to be the low end of N loss. It required barn housing of cows during winter to manage the urine and effluent and reduce the N loss from that dairy system.

Yes it is conservative; it does not look at the analysis of biological farming systems. I did see a presentation on this issue from Noel Bartram who is a leading farmer in the Lake Taupo catchment, and he had a pretty blunt take on it. He said if the mitigation option was not in *Overseer* he was not interested because it was not going to attract the funding under that scheme.

So there are some issues here. Councils tend to be risk averse and unless the science has proven a method and it becomes an option in a tool like *Overseer*, it is probably going to be difficult to attract incentive funding. Alistair may be able to expand a little on that because he is the *Overseer* guru.

**Alistair MacCormick, Bay of Plenty Regional Council:** What Simon says is correct. At the moment the only tool we can measure with is *Overseer* and reduction gains, or the value of a change, are measured that way. When people

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come to us with proposals the first thing I say is we need to do the science and get it into *Overseer*, which is quite a challenging job. I would encourage Trusts and people like you to put pressure on Council to assist in that area.

**Te Tara White:** Yes I am very clear that the science behind this is unproven and I am also very clear that over the next 5 to 10 years with the window of opportunity we have we are prepared to go down the track of trying to lead the science by offering up our property to look at clean energy models, along with several others. I believe the current system is besotted with this whole traditional grass lands approach and all geared towards it. We are talking about opening up a whole new paradigm of farming. I want to put the challenge of the science out there. We are not just looking at a group of Maoris on the Ohau Channel plugging a few inputs in. We have a sea of piranha, of biological suppliers coming to our door. But it is not about supply, it is about test models, and it is important, not only for the issue we face, but for the industry as a whole.

**Warren Webber:** I would be surprised if the developers of *Overseer* are not considering this issue on their wish list. Certainly DairyNZ are. The position statement on the Rotorua catchment in 2011 had organic farming listed as a possible mitigation tool and they were brave enough to put a figure of 46% reduction by introducing organic farming to the property. But the problem I have is – where is the science? Terms like ‘biological farming’ and ‘organic farmers’ suffer from lack of clear definition as to what exactly they are. They are deserving of further scientific research.

**John Green:** Warren, can I just interrupt here please. We are talking about subjects that we have had in previous symposiums which was all about the science and the nitrogen/phosphorus issues. We are not here to talk about this subject; it is taking us off TDRs. TDRs are a tool to help farmers reduce nutrients. We are getting back into the old story about N and P and the farm practices and that is another subject, if you do not mind me saying so.

**Warren Webber:** Yes John, I take your point that this is not what the TDR symposium is about. Anna wants to make a final comment on this and then I want to switch the subject please.

**Anna Grayling, Bay of Plenty Regional Council:** This is crucial for eligibility whether considering land management or land use change in relation to TDRs. Only in relation to TDRs is this relevant, and we have to consider things that are measured, or not measured through *Overseer*. The Council has used funding before for gorse which was not measured through *Overseer*. We had good science to say that it was something that would reduce nutrients to the lake. It was not in *Overseer* although it is in the queue to be developed into *Overseer*. Even though we are a risk adverse bunch our Councils are still very pragmatic. We need to consider who gets the TDRs. If it is only something considered through *Overseer* then it is making decisions that will not be funded, or you will not be incentivising gorse and that is outside the TDR scheme. In relation to what you need to discuss today that is where you need to focus your discussion for TDRs.

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**John Green:** I would like to go back to Phillip. I enjoyed your comments and could you help me here? At the moment the District Plan has the donor and recipient areas fairly close to each other. We have talked about increasing the value of TDRs. To me that is lake side communities. We have 12 lakes here. We have an A zone which is not being brought into the District Plan as yet, but as a general principle would it not be better to target all of the lake side communities as zones where we can take up TDRs? To me those lakes offer a huge opportunity and are where the value lies.

A second question is about the donor area. I took on Neil Oppatt's comment; the donor area should be the whole Rotorua catchment in my mind. I believe that we have the donor and recipient areas wrong in the District Plan. I would be very interested in your comments. We have this wonderful resource of lakes and lakeside areas, of which I have 10 acres, but I cannot subdivide, yet I could put 5 sections in. This concurs with Dan Marsh's point, I have no rights whatsoever to subdivide. Whereas a TDR approach could give me rights if it included the Rotoiti area. If I was at Okareka I would have no rights either because it is also under Zone A, but potentially we could get it there. Phillip, could you talk about the donor and recipients areas, because your experience was it did not work to start off with and you had to refine it?

**Phillip Martelli:** It did not work originally because the recipient and donor could be in the whole district. Most of the subdivisions occurred up the back of unsealed roads, high up in the hills where people were not interested in buying, which is why we have a lot of empty lots still out there. What you say about around the edges of lakes, from a theoretical point of view, is correct, because that is where the highest value sites are likely to be, or places that have beautiful views. Therefore people would pay more for TDRs. The question to ask your community is – do you want that level of development around your lake sides? Is it going to have other impacts on lake amenities, landscape views, etc.? Then you might have a conflict.

It is not for me to judge, it is for your own community to work out. Do you want a lot of houses all the way around your lakes? In Tauranga we do not want to see Tauranga city as an urban development stretch all the way from Tauranga up to Waihi Beach. We have strong landscape rules around the margins of Tauranga harbour. That is a community debate. There will be other areas where lifestylers could go.

When I talk about lifestylers, it is about people on, say, 3,000 up to 1 hectare sites. Not 4 hectare hobby farmers, which is different again. There will have to be a discussion within this community about where to go. Whilst the high value places might be there, there may be other reasons to say 'No' to subdivision.

**John Green:** What about the donor?

**Phillip Martelli:** The donor is across the whole district. Because we talk about bush, riparian margins and wetlands we target the whole district. What is the focus in Rotorua? If it is only on Rotorua and Rotoiti then obviously those are the

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catchments where you will focus your donor. Why would you bring in other catchments that do not need extra incentives if there are no environmental problems? It is about where the environmental issue comes from?

**Peter Buckley, CEO, Waikato Regional Council:** Phillip, in your presentation you were going to talk about Franklin. Before Franklin was divided they had TDRs and from my recollection once the boundary was put in the value of the TDRs on the Auckland side were worth exponentially more than they were on the Waikato side. The Aucklanders bought up TDRs on the Franklin side and sold on the Auckland side. The money that people who sold them on the Waikato side got was a reasonably fair deal. They have since stopped it but I do not know why. Would you like to comment on the Franklin situation, because I saw it in your speech and was looking forward to it?

**Phillip Martelli:** I am not sure how that ended up as I am not familiar with Franklin. Franklin followed Western Bay in how they did their TDRs and Rodney was the other District Council also doing it about the same time. Rodney's case was interesting in that the farmers, who were the donors, bought sites and became the recipients and did the transfer without transferring any money. They became developers in their own right and this happened quite a lot in the Rodney situation, but I cannot comment on Franklin.

**Ian McDowell:** We have 6 hectares in Cookson Road. My question is – has any consideration been given to the people in the recipient areas who live on a nice 4 to 6 hectare block and do not want to have a subdivision right next door to them? We are zoned Rural A, or Rural 1 in the new proposed District Plan. The Council Town Planning Committee approved a subdivision of 7 small sections next door to us. We appealed this at great expense. Most people who live on a 4 to 6 hectare lot do not want to have a whole lot of neighbours next door. I do not think any consideration has been given to them at all.

**Phillip Martelli:** You raise a valid concern; it is what the community wants in consultation. We went through that with our community to produce our District Plan when we talked about changing the regime. The people that were in these new lifestyle zones knew what was intended and for us it was not a problem. They could not wait for us to make it happen because those people on their 4 to 6 hectare blocks were looking at the opportunity it gave them that they would not otherwise have. So in our district it was not an issue, but the Councils will have to go through that community consultation process.

**Neil Oppatt:** Can I also say Ian that there was a very similar case here and our Council appealed it. I think Phillip said that if the community understands the reason why we want to do this, which is to protect the lake, then maybe that discussion would be different. I have not come across a ratepayer yet that is not concerned about the long term quality of Lake Rotorua, including every pastoral farmer I know. Right now people are challenging the existing Plan and achieving sub divisional rights with next to no environmental benefit for the greater catchment.

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The debate I would love to see with RDC and the community is about how far the community is prepared to bend to achieve the ultimate goal. Bear in mind it is a new District Plan and that is the time to introduce changes to the status quo. There are two ways to do this. RDC and Regional Council could rate more if it was deemed to be the way to help the properties that have to make substantial financial changes. But I suspect we are at the limit of what people are prepared to accept as their fair rating contributions to fixing Lake Rotorua. The wider debate with the community would be - How far are we prepared to change some of the principles around how the lakes community should develop to protect the lake?

**Phillip Martelli:** When I did my presentation I purposely put up some photos of what I believe Rotorua could look like. When Rotorua residents look at what a standard rural subdivision looks like and it is more of the same - just more houses, I could understand that they do not want more of that. Ian, I know where you live and understand why you would have objected. But if that was part of a complete re-landscaping of the Rotorua catchment and you could see some real enhancement of the environment around where you live, I wonder whether it might change your mind for you and your neighbours and those other people living in the Rotorua catchment.

Part of selling our lifestyle zones was that we did not just do the cookie cutter and say, 'Right now people can go and subdivide'. It was accompanied by a full structural plan that provided for a lot of greenways, walkways and equestrian trails but the Council decided to get rid of those at the last minute. So it is not just your normal lifestyle subdivision but something with more character. It is a long term vision for a plan that will take 30 or 40 years before it comes in.

**Mary Stanton:** Kia ora katou katoa. I would like to speak on behalf of our children and grandchildren. I am speaking about the Ohau Channel and Mourea area and we are stakeholders. I was born on the Ohau Channel 68 years ago. I know that area, it is a very sensitive area and we always look at the environment and of course water quality. My question comes from our children; our children are saying to us today, 'Nan, why can't we build on our own land? Why can't we work, create jobs within our own local hapu and iwi where we were born?' This is a land change you are questioning. Go back to your community and ask what your community wants. We know what we want. 20 years ago I was the Secretary to the Lake Rotoiti Ratepayers Association and I fought to get a water supply for Mourea, because our people wanted to build on our own land. It was hard, it was a battle and in the end we gave way to sewerage because we wanted to protect our lakes. So we have a sewerage system and Mourea was the first, I remember that. I also remember my father, Stan Newton; he fought with all the elders from Ngati Pikiao and Te Arawa to take the sewage out of the lakes. We have successfully done that, but it is not complete and I am not happy, because Rotoiti and Rotoma deserve better treatment. That is to come.

Now I say to you – Why are you hesitating? Why are you not giving our children the opportunity to live on their own land and to work it? We have forestry, reserves, which go for 80 years, 3 rotations – do we always have to rely on

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forestry? Not everybody wants to work in forestry, but it is our bread and butter. We have businesses to run forestry so we will keep at that, but we need to get different opportunities with land change. I would like to see our children not say, 'You can stuff your land, we are going to Australia, we are going to immigrate. We are going to the mines.' It hurts; it really hurts when they say that. 'We are going to work in Australia; they can provide us with better money.' A lot are doing that. They are taking off and flying out to work in the mines. Do they have to go there? Are you forcing them there? Get real. This is our home and we deserve better. I want to see our people have better homes, warmer homes, a quality of life. Give it to them; because it will not be long, we elders will be gone, as we lost Maureen, time is limited, time is precious. We come to the Council for help and we hope to get that help such as the symposium. John, congratulations, and to your dear wife. You are working hard and I really admire you, congratulations. But we need more support, we cannot just be working with dairy farms and forestry, we need more. Kia ora katou katoa.

**Anna Grayling:** Thanks Mary, that is a really good point you make about not limiting our options for the future in Rotorua and it is definitely the Regional and District Councils' view that to get to where we need to be in 2032 is going to require some innovative solutions and we cannot rely on forestry as the only one.

It is a good time to mention that we are running an innovation contest because we want to get great business cases to take to land owners so that they do not feel that they have only one viable business option in pine trees. The innovation contest will be launched soon and there will be a lot of media about it. We are doing this to come up with solutions for the rural community. Please do not think it is just about us pushing forestry and it is the only one stop shop for 2032. That is not the case at all.

**Phillip Martelli:** There is a good example over our way. A Maori Trust had 700 hectares, with 100 hectares of bush on it. By using the TDR approach they got \$2½ million in their coffers to put into their own whanau and education. The issue here is if the dollars are right to make it work then there is a chance to use money for other benefits.

**Don Atkinson:** I would like to put on the table the underpinning of the value of TDRs, because that directly relates to how much we get out of it. I do believe that they will be underpinned through a nutrient trading scheme assuming that it comes into play. Ultimately a farmer will have the right either of going through the TDR incentive route, or alternatively he could say, 'Blow that, I'll just go and trade the right that I have already got, to a dairy farmer because he will be able to pay the most'. We will not get a win out of it, but it will reduce the number of people that want to take that course. A dairy farmer's nitrogen equivalent is probably worth closer to \$1,000, not \$200 to \$400, which he might get out of the TDR plus incentive system. So there is a strong underpinning of an alternative market that I am sure will exist under the new trading regime.

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**Warren Webber:** That is a good point Don. We do need to realise that it is not obligatory for any donor property if they reduce nutrients to accept incentives from Anna's cheque book or TDRs from Liam's. They may well say, 'Ok, I've reduced my leaching by 20 kilograms per hectare, I'll sell it to the dairy farmer up the road'. That is part of the nitrogen trading mechanism that we have alluded to previously.

I would like to ask from what base for donor eligibility. Currently the proposed District Plan says the base from which they will allocate will be the 2004 benchmark for the property. That could mean that one dairy farm starts at a base of 60 and his neighbour down the road starts at a base of 35. Is that equitable? Is that what we want, or is there an alternative? Do we start from a defined base, which might be prudent farm practice, which is my preferred term, and that might be 40 kilograms for dairy and 15 kilograms for dry stock? Can I have some comment about what sort of base we should be working for when we allocate these TDRs or other.

**Anna Grayling:** If I could suggest that there is an 'or other'. At the moment we are in the process of allocating the nutrients which will be the 'or other'. We have signalled that the 2004 benchmark year has over allocated nutrients, so there is too much been given out. At the moment the Regional Council Policy Team is working on how to allocate the smaller amount. If you wanted to take another allocation depending on where that is, and that will be pending further decisions, that 'other' could be the new allocation.

**Joanna Carr, Sheep and Beef Farmer on StAG:** What Simon was talking about may be a conversation that we had the other day and it pertains probably to 'other' and a suggestion that came forward was leasing. If a farmer can get to the target, instead of selling nitrogen, it could be leased to other farmers. It is about maintaining the equity on the farm balance sheet. You do not require it for the current farm system or what you are producing, but you do want to hold on to it on the balance sheet and your equity, and you then lease it for a prescribed time.

**Dan Marsh:** You asked for comments on the issue of whether to go for benchmarks or go for grand parenting. To me the question is exactly the same question that people debate when they say, 'What is the fair mechanism for allocating nitrogen in a catchment?' In principle going for prudent farm practice is a good idea. I have reviewed this in some detail as to what has happened around the country and while in principle it is a good idea, at the end of the day every farmer would argue that they are efficient. Once you start saying that you are going to benchmark and the levels should be prudent farm practice the problem will be - how are you going to define it? Every farm might have a slightly different soil type, or different rain fall. There may be different circumstances which would mean that each farmer could say that they had been prudent. It is a difficult trade-off between going for grand parenting and what might be fair which is to go for different levels of prudent farm practice.