

Our Ref:

14 December 2011

Dear Leaseholder

UPDATE FROM THE LINZ PASTORAL TEAM

The LINZ team of Brian Usherwood, Jeremy Barr, David Rhodes and Murray Mackenzie met with members of the High Country Accord on Tuesday 22 November 2011 to provide feedback on the Earning Capacity Rent (ECR) Project primarily but also to provide a forum to discuss any pastoral related matters.

Below is an update of the matters arising from this meeting.

ECR PROJECT UPDATE

Summary of leaseholder feedback on Base Carrying Capacity

We recently sent you the plan and table showing the modelled BASE figures for your lease. We also asked for your feedback as to how relative the maps were and how indicative the figures were to your lease.

Thank you to the 40% of leaseholders who provided feedback on the BASE maps and figures. Out of the leaseholders who responded, around 45% agreed to the figures the model had predicted, around 10% provided feedback but did not accept or decline the figures and 45% provided feedback on why they did not think the model reflected their lease.

Generally the feedback was positive with comments like "*Thought some fine tuning [was] needed but overall practical approach using economic model and consulting farmers,*" and "*encouraged by the rigour/effort gone into BCC*". Where the figures did not reflect what some leaseholders thought they should, there was generally good feedback detailing the reasoning. Some have requested a further ground assessment of their properties, which is allowed for in the legislation, once an assessor has been appointed.

As a result of this feedback we feel that the model has done as much as it can do to provide a starting point for the assessment of BASE as part of ECR. Therefore the focus moving forward will be to decide on the tolerances of the model and how it will be used as part of the assessment for ECR.

Current activities on current carrying capacity

Ken Taylor and Cam Hagan have provided a paper advising on the assessment of current carrying capacity as part of the rental fixing regime.

The key point for consideration was that whatever approach is adopted needs to be a simple model rather than a complex one. Work completed already was considered useful but tended to focus on potential carrying capacity rather than what the average efficient farmer would be able to achieve given the reasonable restraints of a pastoral lease.

Development work is continuing on the requirements.

The role of the Valuer-General under ECR

The Valuer-General will have a new rule-making role under the Crown Pastoral Land (Rent for Pastoral Leases) Amendment Bill, currently before Parliament. To support the proposed ECR methodology the Valuer-General is developing rules and guidelines to cover matters such as: setting the dollar/stock unit rate, defining standard stock unit and variations, assessments of base and current carrying capacity, minimum standards for assessors, and a monitoring, auditing and reporting regime. Under the Bill, the Valuer-General is required to give notice to leaseholders, allow interested parties to make submissions, and consult representative persons/groups of leaseholders on proposed regulatory rules.

Therefore, once the Bill becomes law, expected in 2012, we will be in touch to seek your input into the Valuer-General's regulatory role to support the ECR process. This is likely to firstly involve a small number of representatives to serve on dedicated expert committees to further develop draft rules, standards, and guidelines, and secondly, wider consultation on the draft documents.

MERRY CHRISTMAS FROM THE PASTORAL TEAM

We would also like to take this opportunity to wish you and your families a happy and safe Christmas, and we look forward to working with you in 2012.

Yours sincerely

David Rhodes
Team Manager

Jeremy Barr
Programme Manager
Tenure review

Murray Mackenzie
Pastoral - Technical Lead

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