

Appendix 'G'

Depreciation / Decline in Service Potential

1. Depreciation Policy

Roads, bridges, footpaths, and kerb and channel are depreciated on a straight line basis over their remaining life – with depreciation recognised as an operating expense. An appropriate depreciation rate is determined for each major component type.

Assets under construction are not depreciated. The total cost of the project is transferred to the relevant asset class on its completion, and then depreciated. The useful lives and depreciation rates of the major components of the land transport assets are as follows:

Bridges	43 - 120 yrs	0.8% - 2.3%
Culverts	40 - 80 yrs	1.3% - 2.5%
Foot Bridges	120 yrs	0.8%
Footpaths	12 - 60 yrs	1.6% - 8.3%
Formation	not depreciated	
Kerb and Channel	70 - 80 yrs	1.3% - 1.4%
Pavement Unsealed Wearing Course	4 – 5 yrs	20% - 25%
Pavement Sealed	40 - 80 yrs	1.3% - 2.5%
Pavement Subbase Rural	not depreciated	
Pavement Subbase Urban	40 - 80 yrs	1.3% - 2.5%
Pavement Surface	6 – 25 yrs	4.0% - 16.6%
Traffic Facilities	5 – 45 yrs	2.2% - 20.0%
Street Lights	20 – 60 yrs	1.6% - 5%
Retaining Walls	80 yrs	1.3%

2. Depreciation Projections

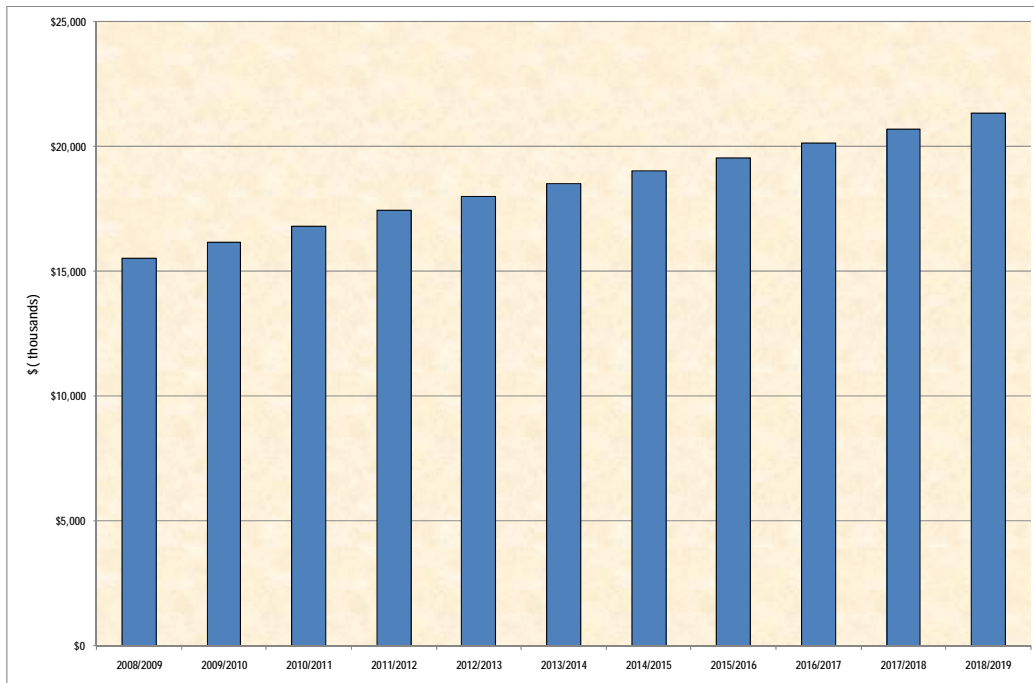
Table G.1 Projected Depreciation Expenses (\$1,000) – 2009/19

2008/2009	Annual Depreciation Forecasted Future Values	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
	a) Asset Values										
0	Land	0	0	0	0	0	0	0	0	0	0
0	Formation	0	0	0	0	0	0	0	0	0	0
5,073	Sealed Pavement Surface	5,104	5,154	5,186	5,215	5,235	5,255	5,274	5,294	5,314	5,343
3,544	Sealed Pavement Structure	3,565	3,605	3,634	3,658	3,673	3,688	3,704	3,720	3,737	3,764
2,766	Unsealed Pavement Structure	2,785	2,803	2,822	2,840	2,859	2,878	2,896	2,915	2,934	2,952
971	Drainage	973	976	978	980	983	985	988	990	993	995
232	Surfaced Water Channels	253	281	307	325	327	329	330	332	334	352
898	Traffic Facilities	920	942	964	985	1,007	1,028	1,050	1,072	1,094	1,116
1,501	Bridges and Culverts	1,501	1,502	1,503	1,503	1,504	1,504	1,505	1,505	1,506	1,507
14,984	Sub Total - Infrastructural Assets	15,100	15,263	15,394	15,508	15,587	15,667	15,747	15,828	15,910	16,029
512	Footpaths	517	522	523	526	529	530	532	533	535	537
31	Retaining walls	31	31	31	31	31	31	31	31	31	31
543	Sub Total	548	553	554	557	560	561	563	564	566	568
15,527	Total	15,648	15,816	15,948	16,065	16,147	16,228	16,310	16,393	16,476	16,596
0	Inflation amount	516	996	1,496	1,928	2,354	2,775	3,228	3,716	4,220	4,709
15,527	Total Including Inflation	16,164	16,811	17,443	17,993	18,501	19,003	19,539	20,109	20,696	21,305

For full details of assumptions incorporated into those figures see Appendix C.

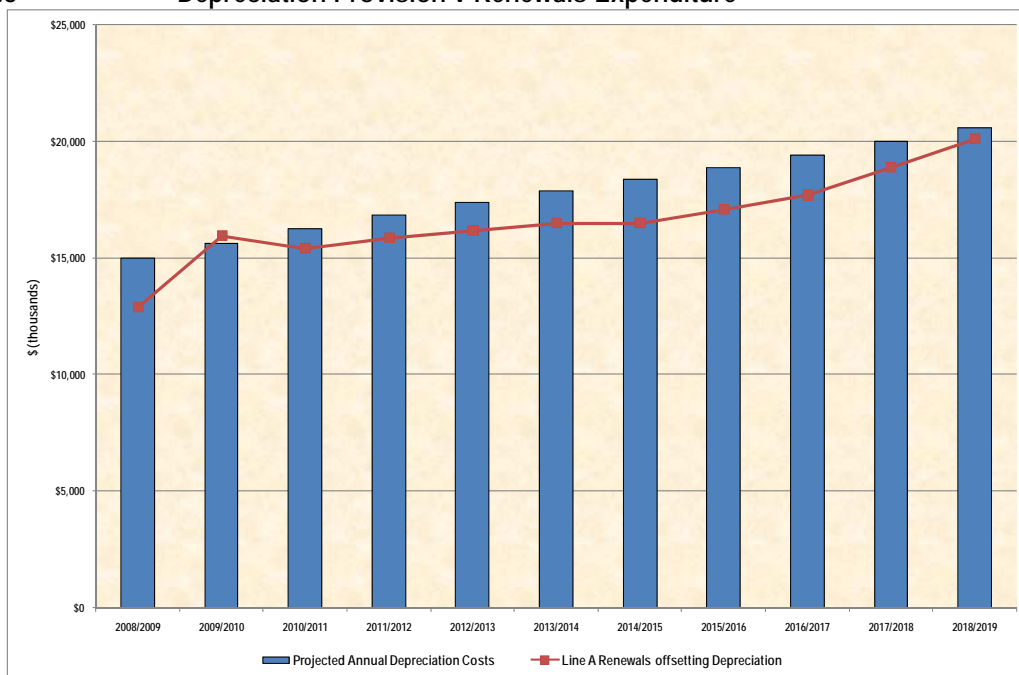
Note: The above figures do not match exactly with those in Table M.1 as they do not allow for streetlights or depreciation associated with roading related Council vehicles.

Table G.2 Estimated Depreciation Requirements – 2009/19



3. Depreciation Provision v Renewals

Table G.3 Depreciation Provision v Renewals Expenditure



Note:

- This graph includes inflation but does not have footpaths or retaining walls dollars.
- Line A is based on total expenditure on renewal style work which offsets depreciation.
- Various categories of work involve both elements of renewal and new capital. These elements are split by the proportions noted in Table M.1, and shown separately in Tables F.1 and H.1.
- A pavement rehabilitation is made up of several components including:
 - Formation work on new surface water channels.
 - A small amount of subbase material in the shoulders to support the new basecourse layer
 - Basecourse to primarily add strength.
 - A first coat seal to waterproof the new surface.
 - Drainage facilities – culverts and kerb and channel.
- Under the valuation methodology used, all formation and rural subbase are regarded as non depreciating components based on routine maintenance continuing to maintain these in the long term. With rural subbase it is also assumed that any loss of subgrade strength is compensated for by the addition of the existing basecourse layer to the subbase layer when the road is overlaid. The urban subbase is depreciated because when the urban pavements reach the end of their useful lives you have to remove the pavement and replace it as the drainage system, i.e. the kerb and channel, dictate the finished level of the road.
- Using this methodology means that expenditure on formation and subgrade is therefore not regarded as off setting depreciation.
- Any widening done at the time of the rehabilitation is regarded as an associated improvement and as such is funded from the new capital requirements as associated improvements.

4. Issues

Nil.

5. Future Actions and Improvements

Nil.