

# Submission

## Fire and Emergency New Zealand Funding Review

Submission to: Department of Internal Affairs

Email: [firefundingreview@dia.govt.nz](mailto:firefundingreview@dia.govt.nz)

[www.dia.govt.nz/firefundingreview](http://www.dia.govt.nz/firefundingreview)

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## Contact details

Sean McBride,  
 Chair, FOA/FFA Fire Committee  
 c/o FOA, Level 9, 93 The Terrace, Wellington 6143  
[Sean.McBride@jnl.co.nz](mailto:Sean.McBride@jnl.co.nz)  
[www.nzfoa.org.nz](http://www.nzfoa.org.nz)

## The Forest Owners Association

The New Zealand Forest Owners Association Incorporated (FOA) is the representative membership body for the commercial plantation forest growing industry. FOA members are responsible for the management of approximately 1.2 million hectares of New Zealand's plantation forests and over 75% of the annual harvest.

In 2019, the forest growing sector was worth \$6.93 billion in export value and has a 12% share of rural land use.

## Submission on specific questions

### Principles

FOA agrees with the principles as set out in the Fire and Emergency Act 2017. The discussion document identifies the current proportion of revenue raised by funding source and also the number of incident response types attended. FOA recommend that costs of each incident response type are analysed and closer aligned with the beneficiary of the response resource to ensure those that benefit are funding a proportional level of revenue. This will improve performance against the principle of equitable funding.

The FOA recommend that where communities are serviced by paid urban firefighters then consideration should be given to an increased cost in comparison to communities protected by volunteer firefighters. Communities that are protected by a volunteer resource are already incurring costs associated with availability of this resource through loss of revenue when volunteers are required to attend incidents as opposed to undertaking their normal paid employment. This could be factored into the insurance levy and would also increase the equitable nature of any levy imposed.

### Businesses and households

FOA supports a retention of the current insurance-based levy approach for several reasons:

- Simplicity of administration. The insurance levy approach is well established and simple to administer;
- Flexibility. Some FOA members do not insure (self-insure) their assets however they invest significant sums in resources including staffing, machinery, infrastructure and reduction operations to manage fire risk within their plantation estates and surrounding areas. This resource offers additional benefits to the communities surrounding these forests at the sole cost of the forest company. Moving to a property value approach may prompt FOA members

to review their expenditure on response capabilities due to significant cost increases which will have a detrimental impact on ability to respond to rural fire incidents.

- A mechanism for cost recovery where Fire and Emergency respond to events on properties that are not insured would offset any reduction in levy collected through a property-based levy. This would also encourage proactive risk management to ensure that the risk of fire was factored into business decisions.

## **Motorists**

According to the discussion document 12% of incidents attended by Fire and Emergency were motor vehicle incidents – more than double the number of vegetation fire incidents.

As all motorists potentially benefit from FENZ emergency response and self-insuring not being a feasible alternative for motor vehicle incidents, the FOA support a vehicle licencing approach for revenue collection for motor vehicle benefits to capture a larger percentage of motor vehicles.

## **Other Options?**

*General Taxation* – The FOA note that the discussion document specifically excludes funding of FENZ through general taxation from the scope of this review, however where the benefit that FENZ provides is to all New Zealanders then a much larger contribution than the \$10 million annual current figure should be considered. It is the opinion of FOA members that a significant contribution from central government to cover the cost of the public good aspects of FENZ operations will lead to a more equitable revenue stream.

It is clear from recent experience that the expectations of FENZ have increased in scope after the amalgamation of Urban and Rural services and will continue to do so. The requirement of FENZ to respond to medical emergencies, vehicle accidents, storm damage and many other event types have significantly increased in recent years and this response capability demands an investment in FENZ that should be funded by those receiving the benefit, that is, the community and general public.

[A 2014 New Zealand Institute of Economic Research](#) (NZIER) report identified that the majority of 12 reports produced since 1993 have recommended greater use of general taxation for revenue generation of the then Fire Service levy.

*Cost recovery* - More than 50% of fire calls to buildings are a result of false alarms. In order to incentivise building owners to ensure their systems are operating effectively and without defect FENZ should legally be able to charge for attendance at a false alarm. There were provisions for this to be the case in the Fire Service Act 1975 and this ability should be reintroduced to the Fire and Emergency Act 2017.

FENZ should also legally be able to recover the fire suppression costs from anyone who has been proven to have caused a fire resulting in unnecessary suppression costs through negligence.

## **Conclusion**

The FOA have significant concerns regarding the increase in expenditure since FENZ was established in 2017. An increase of \$200 million from the original base figure of \$400 million that was seen as adequate by PWC in 2016 represents a 50% increase in projected expenditure over three years. The

FOA would like to see increased scrutiny on FENZ expenditure to ensure that Fire and Emergency services are provided at an economic and effective level for the benefit of all New Zealanders.

General taxation should make up at least 50% of the levy revenue based on the description of incidents attended detailed within the discussion document.

Many FOA members in New Zealand have a capability in trained rural firefighters and also fire-fighting equipment. While the primary focus is protection of their own assets, these resources are often available for incidents beyond the forest boundary that benefit the wider community.

The FOA has recently published Forest Fire Risk Management Guidelines<sup>1</sup> that place voluntary risk mitigation measures on forest operations to minimise the risk of fire within their forest estates.

These measures can have significant financial impact on the forest owner and therefore FOA propose that a discount on any levy for organisations based on risk reduction and response capabilities be reviewed.

**Note on making this submission public**

The FOA is happy for this submission to be made public.

A handwritten signature in blue ink that reads "Sean MCB". The signature is written in a cursive, flowing style.

Sean McBride, Chair, FOA/FFA Fire Committee

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<sup>1</sup> Two guidelines have been published at [www.nzfoa.org.nz/resources/file-libraries-resources/fire](http://www.nzfoa.org.nz/resources/file-libraries-resources/fire) - one for corporate forest owners, and one for rural landowners, famers, and smaller woodlot owners.