

Submission on proposed increase to the Fire and Emergency transitional levy for the 2024/25 and 2025/26 financial years

Federated Farmers of New Zealand



SUBMISSION ON PROPOSED INCREASE TO THE FIRE AND EMERGENCY TRANSITIONAL LEVY FOR THE 2024/25 AND 2025/26 FINANCIAL YEARS

TO: Fire and Emergency New Zealand

DATE: 1 May 2023

ADDRESS FOR SERVICE

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ABOUT FEDERATED FARMERS

Federated Farmers of New Zealand is a membership organisation, which is mandated by its members to advocate on their behalf and ensure representation of their views. Federated Farmers does not collect a compulsory levy under the commodities levy act and is funded from voluntary membership.

Federated Farmers represents rural and farming businesses throughout New Zealand. We have a long and proud history of representing the needs and interests of New Zealand's farmers.

Federated Farmers aims to empower farmers to excel in farming. Our key strategic outcomes include provision for 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 a vibrant rural community; and
- Our members adopt responsible management and sustainable food production practices.

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Introduction

Federated Farmers of New Zealand (FFNZ) welcomes the opportunity to submit on the Fire and Emergency New Zealand's "Consultation on a proposed increase to the Fire and Emergency transitional levy for the 2024/25 and 2025/26 financial year".

FFNZ has always taken a keen interest in the management of fire, particularly rural and vegetation fires. Our members face a significant risk to their personal safety and that of their property from vegetation or structural fires but benefit economically and environmentally through the controlled use of fire. Farmers, foresters and by extension the whole community, benefit from the controlled use of fire to dispose of waste, clearing land for grazing or cultivation and to manage fuel loading. Fire is therefore a vital land management tool for our members.

Summary of Recommendations

- FFNZ does not agree that the levy should be increased.
- FFNZ seeks that FENZ be funded by the government as per other emergency services.
- FFNZ seeks that the public good contribution of \$10 million from Government is increased.
- FFNZ seeks that a direct contribution from Government is paid to FENZ which equals the value of the levy owed on uninsured government assets.

General Comments

FFNZ has long advocated that FENZ should be funded largely from the government via general taxation. However, this method is always ruled out as an option. It is difficult to understand why FENZ is any different to the police which is fully funded by general taxation, or ambulance which receives around 80% funding from the government.

While the insurance-based method does not suit farmers perfectly; for example, insurance is paid on buildings despite that FENZ will likely not arrive on time to most farms to save any structure. However, given the cost of fighting rural vegetation fires, we have generally taken the view that the insurance levy has been the best of a bad suite of options, if it is not general taxation.

FENZ is funded almost entirely by a levy on property insurance. There are several unfair aspects of this arrangement:

- People who do not insure their property do not pay the levy.
- It increases the cost of insurance, which may lead people to avoid or under insuring their property.
- Insurance companies find it is cumbersome and difficult to collect.
- There are first loss insurance contracts; ie if you own five buildings in four cities, it is very unlikely that all your buildings will be damaged in one event. You can take an insurance contract that does not insure all the buildings but insures the first one in a given time period to be damaged. This means you are only insuring one of your properties and paying one levy.
- FENZ functions are much broader than just fire and charging a levy on insurance insinuates they only cover fire.

FFNZ notes that the planned Government contribution to recognise and cover the cost of non-fire public good activities undertaken by FENZ remains at \$10 million and has not been changed since 2017.

As many of the services that FENZ provides benefits everyone and not just levy payers, there is a very strong case for a greater Government financial contribution from general taxation to FENZ which recognises the non-fire public good activities undertaken. Levy payers view it as inequitable that non-levy payers still receive and benefit from the FENZ services, regardless of whether they pay a fire service levy.

At the formation of FENZ in 2017 it was anticipated that this public good aspect would increase as the public's expectation of service provision increased. Also, in 2017 the \$10 million Government public good contribution was significantly lower than the \$30 million quoted by the Regulatory Impact Statement as the share of costs for public good.

FFNZ considers the \$10 million contribution from Government is not sufficient, and never was sufficient to cover the public good aspect. For that contribution to remain static six years later whilst proposing to increase levies is unacceptable.

Additionally, it is our understanding that because the Government largely self-insures, it does not pay a fire service levy on structures such schools, hospitals, or Department of Conservation land, and is therefore not subjected to the proposed levy increases outlined. A direct contribution to FENZ, equal to the value of the levy owed on uninsured government assets would be appropriate.

Costs of the levy increase to farmers

As per our previous submissions, there is no one-size fits all funding system for our emergency services, and it is clear some inherent inequities remain. The most obvious being that not every person is insured, yet they still expect and receive, a full level of service from FENZ.

Farmers feel this inequity more than most as there is no cap on the non-residential category of which many insured items fall under (e.g. tractors, farm buildings, machinery, farm assets, harvesters). For our membership, this adds to the view that rural residents are continuing to subsidise services for those in urban areas. Rural residents feel these inequities further as they are paying a levy for a service they may never fully maximise or receive benefit from.

The proposed levy increases come at a time when farmers are facing a difficult economic climate, increased regulatory burdens imposed by central and local government, and ongoing uncertainties following severe weather events. FFNZ has concerns about the very real possibility of farmers being prepared to take the risk and under-insure property and limit their exposure to the levy increase. If this happens, it will reduce the levy base and funding that has sought to be increased.

The likelihood of underinsuring or not insuring property at all should not be underestimated as New Zealand faces a cost-of-living crisis. Most people will be looking at ways to reduce expenditure and insurance premiums could be viewed as an easy way to achieve this.