

Property Council New Zealand

Submission on the fire insurance transitional levy increase consultation

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For more information and further queries, please contact

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Submission to Fire and Emergency New Zealand on the fire insurance transitional levy increase consultation

1. Summary

- 1.1. Property Council New Zealand (“Property Council”) welcomes the opportunity to submit to Fire and Emergency New Zealand (“FENZ”) on the fire insurance transitional levy increase consultation. Comments and recommendations are provided on issues relevant to Property Council’s members.
- 1.2. Property Council’s prior submissions to FENZ and the Department of Internal Affairs (“DIA”) has outlined our longstanding reservations about the current insurance-based funding model for FENZ, as we believe it to be inequitable, inefficient and unsustainable long-term.
- 1.3. Property Council strongly stresses that before the implementation of the new ‘Part 3’ levy regime on 1 July 2026, it is important to significantly reform the current approach to funding and fire levies, to drive greater equity and efficiency across the system. Despite this, we acknowledge the practical requirement to increase the transitional levy rate for financial years 2024-25 and 2025-26.

2. Recommendations

- 2.1 At a high level, Property Council recommends that FENZ:
 - Raises the current residential insurance cap beyond \$100,000;
 - Request that the Government ensures that publicly owned property contributes a fair and equitable portion of fire levies;
 - Request that the Government implement a more appropriate level of crown contribution to fund public good services delivered by FENZ such as medical responses; and
 - Incorporates mandatory reporting of FENZ data on matters such as the cost of delivering different types of call outs into legislation and/or regulation.

3. Introduction

- 3.1. Property Council is the leading not-for-profit advocate for New Zealand’s most significant industry, property. Our organisational purpose is, “Together, shaping cities where communities thrive”.
- 3.2. Property Council advocates for the creation and retention of a well-designed, functional and sustainable built environment, in order to contribute to the overall prosperity and well-being of New Zealand. We advocate for regulatory and tax settings that are both fit for purpose and fundamentally equitable.
- 3.3. Property Council is the collective voice of the property industry. We connect over 10,000 property professionals and represent the interests of over 550 members organisations across the private, public and charitable sectors.

4. General comment on FENZ funding

- 4.1. Property Council strongly believes in the importance of a strong national fire service, with FENZ providing a critical public service to New Zealanders. FENZ services not only provide a direct

benefit to property and other asset owners but provide a significant public good to wider society.

- 4.2. Property Council has longstanding reservations regarding the current insurance-based funding model for FENZ. Significant portions of FENZ resources go into responses and activities unrelated to fire insured assets. These responses and activities tend to be for a range of public good activities such as; medical emergencies, rescuing people or pets, and natural disaster relief.
- 4.3. As an example, the 2021/2022 [FENZ Annual Report](#) highlights that 16.2 per cent of FENZ responses were for medical emergencies, yet the medical system does not fund this activity. The cost of delivering a medical response service is being met by levies on fire insured assets.
- 4.4. Given the importance of FENZ, and its wider mandate than just fire insured assets, it is imperative to ensure that FENZ is properly funded through a fit-for-purpose funding regime. As stated in our [February 2020](#), [September 2022](#) and [October 2022](#) submissions to the DIA, we regard the current insurance levy based funding regime for FENZ as inequitable, inefficient and unsustainable long-term.
- 4.5. Despite the recent Cabinet decision to retain the insurance-based model, Property Council has endeavoured to continue working collaboratively with central government to resolve our longstanding concerns regarding FENZ funding.

5. Proposed increase to transitional fire levy

- 5.1. Since 2017, FENZ has been funded by the transitional fire levy. The transitional levy has not been updated since 2017 and is set to be replaced on 1 July 2026 with the new 'Part 3' levy regime, as established by the *Fire and Emergency New Zealand (Levy) Amendment Act*. FENZ has advised that in light of their recent wage settlement with the New Zealand Professional Fire Fighters Union ("NZPFU"), their operating costs have increased, and they now face funding shortfalls.
- 5.2. With the fire insurance transitional levy increase consultation, FENZ is proposing a 12.8 per cent increase in the transitional fire levy for financial years 2024-25 and 2025-2026. Property Council notes that the current consultation on increasing the transitional fire levy is limited in scope, with FENZ focusing on increasing transitional fire levy rates without any reform or improvement to the wider funding system that would drive improvements in equity and efficiency.
- 5.3. We understand that there will be more substantial public consultation on the new 'Part 3' levy regime later this year, where issues such as the distribution of the levy across FENZ contributor groups (residential property, commercial/industrial property and motor-vehicles) will be in scope. We further understand that the Department of Internal Affairs has been authorised by Cabinet to work on a long-term review of the adequacy of the current crown contribution.
- 5.4. Despite our wider concerns with the FENZ funding regime, Property Council is understanding of the practical requirement to increase the transitional levy, in order to fund the wage settlement with the Professional Firefighters Union and taking into account factors such as general inflation.
- 5.5. However, Property Council recommends that FENZ raises the residential insurance cap beyond \$100,000. Similar to the current transitional fire levy rate, this figure is significantly out of date,

especially in light of major growth in factors such as house prices, construction costs and general inflation.

- 5.6. March 2023 data shows that the national median house price is currently \$775,000, with the median house price in Auckland currently being \$1,000,600¹. In practical terms, the \$100,000 residential insurance cap results in the residential sector under contributing to FENZ funding and places a disproportionate burden on the commercial sector.
- 5.7. Given the trend towards residential intensification, likely to be enhanced by factors such as the National Policy Statement on Urban Development, there is also a strong argument that the residential sector will be placing additional pressure on FENZ resources overtime.
- 5.8. Increasing the residential insurance cap would be a first step towards improving equity and efficiency within the framework of the current insurance levy based funding regime.

6. Additional Matters and FENZ Funding Review

- 6.1. There are a number of additional matters related to the FENZ Funding Review that Property Council wishes to raise in relation to the fire insurance transitional levy increase consultation. While we acknowledge that these might not directly be in the scope of this consultation, we are of the view that it is also important to discuss matters of wider equity within the funding regime.

Public institutions not contributing via FENZ levies

- 6.2. Property Council is deeply concerned over the extent to which public entities, often with significant property portfolios, choose to self-insure and thus not contribute to the cost of funding FENZ services. The current approach of good citizens payments in lieu of levies, is inadequate.
- 6.3. Continued reliance on self-insurance by public entities, especially when viewed in tandem with the lack of an adequate Crown contribution, further perpetuates the inequitable imbalance between FENZ contributors and FENZ users/beneficiaries. In practical terms, this results in the private sector subsidising the Crown property portfolio, as it relates to FENZ levies.
- 6.4. Before the 1 July 2026 move to the new 'Part 3' levy funding regime, Property Council strongly recommends that FENZ works to ensure that public entities with property portfolios contribute a fair and equitable portion of fire levies. Property Council is available to work collaboratively with FENZ to help identify an equitable level of public fire levy contribution for large public property portfolios.

Appropriate level of Crown Contribution to FENZ

- 6.5. Property Council is strongly of the view that there is an urgent need for greater crown contributions to FENZ funding. The current \$10 million Crown contribution to FENZ is wholly inadequate, relative to the level of public good activities FENZ engages in, accounting for circa 3 per cent of FENZ funding. Ensuring a more appropriate level of crown contribution, in order to fund the vital public good work that FENZ devotes significant resource to, would be a sizable step towards establishing a more equitable long term approach to FENZ funding.

¹https://www.reinz.co.nz/Web/Web/News/News-Articles/Market-updates/reinz_march_data_2023.aspx?name=reinz_march_data_2023

- 6.6. Before the 1 July 2026 move to the new levy 'Part 3' funding regime, Property Council strongly recommends that FENZ and the Department of Internal Affairs introduce a more appropriate level of crown contribution to FENZ.

Transparency regarding FENZ data

- 6.7. Property Council believes that there needs to be greater transparency regarding emergency response cost and beneficiary data. This would enable further investigation into who benefits and who pays for the fire service. The current level of data transparency is deeply insufficient, especially given that future system tweaks are likely to be necessary, in order to ensure the system is more equitable and costs are more fairly spread across those who benefit (public sector, private sector and individuals).
- 6.8. Before the 1 July 2026 move to the new 'Part 3' levy funding regime, Property Council recommends that FENZ adopts mandatory reporting of applicable data into legislation and/or regulation.

7. Conclusion

- 7.1. Despite our longstanding reservations about the current insurance-based funding model for FENZ, Property Council acknowledges the practical requirement to increase the transitional levy rate for financial years 2024-25 and 2025-26. Furthermore, we strongly stress that before the implementation of the new 'Part 3' levy regime on 1 July 2026, it is important to significantly reform the current approach to FENZ funding and fire levies, to drive greater equity and efficiency.
- 7.2. Property Council wishes to thank FENZ for the opportunity to submit on the Fire Insurance Transitional Levy increase consultation. For any further enquiries, please do not hesitate to contact [REDACTED], via email: [REDACTED]
[REDACTED]

Yours Sincerely,



Leonie Freeman

CEO Property Council New Zealand