Summary of Submissions
Transitional Levy Consultation 2023

Background

The Fire and Emergency New Zealand (Levy) Amendment Act delays the introduction of the Part 3 levy regime until 1 July 2026. Until that date, the transitional levy continues. Increased operating costs, including the settlement with the New Zealand Professional Firefighters Union, means there will be a funding shortfall in the interim.

To provide the additional funding required, Fire and Emergency has consulted on a proposed increase to the transitional levy of 12.8% across all levy categories (residential buildings, motor vehicles and non-residential property) for the two-year period from 1 July 2024 to 30 June 2026.

Public consultation started on Wednesday 5 April and closed on Tuesday 2 May 2023.

Submissions received

In total 19 submissions were received. Of these, five came from individuals, two from local government, four from individual companies (two insurance and two forestry) and eight from industry associations (representing the insurance industry and business groups). Submissions included responses to the questions asked in the discussion document and comments on related issues.

The content of submissions that were received are consistent with the submissions that were provided to the DIA funding review and to the Select Committee during their consideration of amendments to the Fire and Emergency Bill.

Of the 19 submissions, four supported the proposed increase, while 14 were opposed and one submitter considered they had insufficient information to form a view. A number of concerns were raised, primarily by those opposed to the increase, from which key themes could be drawn. A breakdown of submissions and a summary of the themes emerging from them is provided below.

Summary of feedback

Overall support

- 14 submitters (eight industry associations, one insurance company, two forestry companies, and three individuals) opposed the proposed the 12.8% increase in the transitional levy;
- Four submitters (2 individual and two local government) supported the increase, arguing that Fire and Emergency provides an essential service and should be well resourced;
- One insurance company considered that it had insufficient information to form a view on whether the 12.8% levy increase was warranted or not.

While applying the increase across all levy categories was not favoured, no alternative allocation was suggested, other than through an increased Crown contribution (see below) and a different levy rate for electric vehicles.

Key themes

A number of themes emerged in the submissions, particularly from those opposing the levy increase:

Crown contribution: There was significant and consistent feedback from 11 of those opposing the increase that the Crown contributions are insufficient. They note that many 'public good' services are provided and that the Crown contribution should be higher to reflect increasing costs of non-fire responses (e.g. medical emergencies).

Contribution from individual Government agencies: Two submitters from sector groups noted that Government agencies are often under insuring or 'self insuring' (i.e. having no coverage and assuming the risk). These agencies are benefiting from Fire and Emergency's services but are not paying for them.

Levy growth assumption of 2%: There were mixed views on the validity of this assumption. Three submitters pointed to how historically growth has been much higher than 2%. Two others, however, stated that some policy holders are reducing insurance as a cost saving measure and levels of insurance growth will either be lower in future or decline.

Concerns that increase may contribute to less insurance cover: Seven submitters were concerned that the rising cost of insurance and the increases in levy may lead to less insurance cover. While the levy is only a part of the rising costs of insurance, the rising costs were a concern.

Implementation: All insurance companies and industry associations who provided submissions stated that a period of 12 months after the regulations were issued was needed to make the changes to insurance policies to account for any rate increases. If they are more complex changes, then 18 months is required.

Forestry: Two submitters from the forestry sector outlined how a number of companies undertake significant investment in firefighting capabilities and that comprehensive insurance is difficult to obtain and expensive. Only a portion of the industry, estimated at 39%, insure and as a result pay the levy. They also considered that continued rises in the levy and insurance will lead to forestry companies having to assess whether to maintain insurance. If less companies insure, fewer policy holders will fund the costs.

Efficiency savings: Eight of those opposing the proposed increase argue that Fire and Emergency's costs are increasing too much. Some raised concerns over levels of growth in support and management staff numbers. Four others queried the level of costs and whether there was full consideration of savings options. Some consider there is a need for independent financial review. Three commented that the 2017 merger was supposed to result in efficiency savings, but consider that these savings have not materialised.

Increased transparency: 16 submitters (including one of the supporters of the increase) considered there is a lack of transparency around Fire and Emergency's operating costs and capital intentions. Some called for an independent financial review of Fire and Emergency costs to look for options for savings.