

Submission form

Please use this form to make your submission on the proposal to increase the transitional levy on fire insurance contracts for the 2024/25 and 2025/26 years. **The closing date for submissions is Tuesday 2 May 2023.**

Submissions can be emailed to: **TransitionalLevy2023@fireandemergency.nz**

Alternatively, submissions can be posted to:

Transitional Levy Consultation
Fire and Emergency New Zealand
PO Box 2133
Wellington 6140

This submission was completed by:

Name	[REDACTED]
Address	[REDACTED]
Email	[REDACTED]
On behalf of (if an organisation)	
Position (if an organisation)	

Please refer to page 8 of this discussion document for how we use your information, including considerations under the Official Information Act and Privacy Act.

Please tick here if you do NOT wish your personal information to be included in any summary of submissions that we may publish.

Questions:

You do not need to respond to all our consultation questions. Feel free to limit your responses to those topics of most relevance or interest to you. **Please indicate any part of your submission that you believe should be withheld under the Official Information Act, and the reason(s) for withholding it.**

1. Do you agree that reducing costs for the years 2024/25 and 2025/26 would compromise Fire and Emergency's ability to provide services to communities and result in a failure to meet its commitments under the agreement with the NZPFU?

Yes / **No**

2. Do you agree with the proposal to increase the transitional levy for the 2024/25 and 2025/26 years to fund the increased costs outlined in this discussion document?

Yes / **No**

Please provide a brief outline of your reasons for agreeing or not agreeing:

In proposing an increase to the Levy rate you make a very predictable statement that “Reducing costs in other areas of operational and capital expenditure is not feasible”. It is simply not credible that FENZ cannot find any areas of your business where savings can be made. You simply make a blanket statement that you cannot do it with the usual and emotive “lives will be lost” type of justification.

Your claim might have some credibility if this analysis was undertaken by independent experts with experience in corporate level financial management. Such persons could look closely and without the blinkers at the planned Operational and Capital spending and apply more rigorous and balanced assessment of where and how savings could be made. It is unlikely that they would deliver a simple “we can’t make savings” as per your assertion.

I make the following observations from my limited knowledge of FENZ’s business. This list is just a few examples of such areas where independent experts could surely be able to find savings. I suggest that there would be many more.

- a) When Cabinet agreed to the merger of Urban and Rural (refer Cabinet Paper) there was an expectation of ongoing savings after Year 3. Instead we have heard excuses about the unexpected state of the Rural Fleet, Property, PPE, etc requiring substantial upgrading. This more than anything reflects the failure during the “Due Diligence” period for these factors to properly assessed and factored in to the costs of integration by those who engineered the merger.**
- In spite of the merger we still have “Rural”.
 - Many say the Urban/Rural divide is as great in 2023 as it was in 2016.
 - Some “Rural Fire” Brigades now have new Trucks.
 - All have smart new uniforms and PPE.
 - Many attend few (ie <6) calls a year (33% of which might be False Alarms).
 - For example, the Wellington/Hutt area has 3 Rural Fire Brigades.
 - These 3 Brigades are 25 Km from each other.
 - These brigades probably attend no more than 2-3 wildfires/year (total).
 - Some attend none in any one year.
 - They are Rural specialists and do not respond to Urban calls.
 - They have around 70 ff’s, 12 Trucks plus 3Xproperty between them.
 - What are the annual costs for these 3 under utilised Rural Brigades?
 - What savings from one rural specialist Brigade for Wellington and the Hutt?
 - Is there even a need for a specialist rural Brigade in Wgtn/Hutt?
 - How many times is this absurd Wgtn/Hutt situation repeated across NZ?
- b) The ongoing and significant costs associated with attending False Alarms (eg defective equipment)**
- In the last decade 1 in every 3 incidents (33%) are False Alarms.
 - In the 2021/22 year you reported 85,425 incident turnouts.
 - In the 2021/22 year FENZ reported 29,000 of these were False Alarms.

- Many of these multi stations and multi trucks turnouts.
- What is costs associated with staffing, fleet, etc to respond to False Alarms.
- What savings on Staff, Fleet, etc if the FA were reduced by (say) 50%.
- Every FENZ Annual Report states that it is working to reduce False Alarms.
- What progress has FENZ made in reducing False Alarms in the last 5 years?

FY	False Alarms
2016/17	25,560
2017/18	27,559
2018/19	26,640
2019/20	27,651
2020/21	28,190
2021/22	29,014

- What is the incentive for FENZ to address this huge cost to the business?

- c) 99% of FENZ income is Levy with only \$10m from Government (as a Public Good contribution). And yet:
- FENZ does significant work that is not related to Fire Insurance Levy.
 - The include Motor Vehicle accidents, Medical Assists, Haz Subs and Other.
 - These incidents represent some 44% of all calls.
 - 44% “Non Fire Levy work” + 33% False Alarms = 77% (funded by Fire Levy)
 - 21% Fires (funded by Fire Levy)
 - And yet, a levy on Fire Insurance are is providing 99% of the income.
 - Government owns a substantial amount of property that is not insured.
 - Government benefits from fire services but pays no fire Levy thru insurance.
 - Government provides only \$10m.
- d) Since the 2017 merger the costs of Rural Fire have risen dramatically under FENZ management.
- Reliance of multiple helicopters to control wild fires.
 - Helicopters (without ground crews) are ineffective
 - Helicopters are very expensive.
 - Helicopter operations present a high level of danger/risk.
 - Limited night operations with small fires escalating overnight (Awarua).
 - Use of FENZ resources (ffs) to do extended mop up operations (Waiharara).
 - No longer cost recovery from the Owner or the person responsible.
 - In the 20 years prior to 2016/17 the area burnt trend steadily decreased.
 - Since the 2016/17 merger the annual area burnt has increased significantly.
 - The cost of Rural Fires has also risen so significantly since the 2016/17.
 - What must/can be done to reduce these costs and the impact on budgets?
- e) The number of Paid Fire fighters has remained relatively static over the past 6 years. However the support and management staffing levels have increased from 672 in 2016/17 to 1099 in 2021/22. This represents a 63% increase in management and support staff. (Ref FENZ annual reports).
- In 2021/22 personal costs were \$397m of the total of \$638m (ie 62%).
 - This is set to increase as a consequence of the Paid FF new salaries.
 - Plus FENZ spent \$16m on “Professional Fees and Consultants) in 2021/22.

- FENZ presents a picture of a rather bloated organisation.
- This suggests there are considerable potential savings in salary costs.

- f) Over the period since the merger FENZ have built a number of new Fire Stations. What is significant is the extraordinary cost of these builds.
- Lake Okareka <20 calls in their patch. Build cost \$2,300,000
 - Omakaroa <7 calls. Build cost \$2,100,000.
 - And yet, Tainui. Similar size to Omakaroa. Build cost \$500,000.
 - Unsubstantiated claims of rural stations with dirt floors or no “ablutions”.
 - Unsound business cases supporting rebuilds (eg Lake Okareka).
 - Requires greater scrutiny and improved business cases to tighten spending.
- g) It is very telling that the Chair of FENZ advised the G&A Select Committee recently that “Fire and Emergency was not established to save money”. This was stated in the Chairs opening address to the Committee where she defended the concerns expressed in the previous year’s G&A report at the rapidly increasing levels of spending.
- FENZ is quick to claim that there it is not possible to cut spending.
 - The FENZ culture appears to be “just increase Levy”.
 - The Levy payer is being held to ransom.

The above examples of the increasing and out of control spending by FENZ are only a few and they themselves are likely to be hotly disputed. They might also be relative “nickels and dimes” in the greater scheme of things, I table them however to provide some debate and support for the argument that FENZ’s call for an increase in the Levy need to be supported with clear and determined measures that FENZ will implement to also reign in spending. Ie, contribute to addressing the problem rather than just demand more money.

I accept that FENZ cannot do this as it is not in your DNA. However, I suggest that an independent external “Razor Gang” could be bought in to sort out the finances of what appears to be a very bloated organisation who do not seem understand that the pain needs to be shared and we all have to live within our budgets in these increasingly difficult times.

Your proposal is simply unfair on the Levy Payer.

3. Do you agree that applying the increase as proposed is the simplest way to distribute the costs across different groups of levy payers?

Yes / **No**

4. If you answered **No** to question 3, please provide details of any alternative you would recommend and why you recommend it:

It may be the simplest way for FENZ but I suggest that it is a poor outcome for NZ. FENZ needs to step up and contribute to the forecast short fall by living within budgetary constraints and not simply demanding further money from the Fire Insurance Levy payer.

5. Do you agree with the assumption that there will be growth in levy revenue of 2% per annum, to reflect inflation and increases to the number of policies, across all policy holder groups?

Yes / No / **DON'T KNOW**

6. Do you consider this growth projection a realistic assumption?

Yes / No / **DON'T KNOW**

7. If you answered **No** to question 6, please provide details of any alternative you would recommend and why you recommend it:

8. Are there other ways you think the levy could be increased to recover the additional costs?

Yes / **No**

9. If you answered **Yes** to question 8, please provide details of your proposed alternative and the benefits and downsides of your suggested approach(es):

10. What impacts will the proposed increase to the transitional levy have on you? (For example, do you think it could impact your insurance costs or choices, spending on other goods and services, or non-financial impacts you think are relevant?)

N/A

11. Are there any other matters you consider relevant for implementing the proposed increase to the transitional levy.

Yes / No

12. If you answered **Yes** to question 11, please provide details of matters you consider relevant:

13. If you are an insurer, how much time would you need to implement this change?

N/A

[REDACTED]

From: [REDACTED]
Sent: Saturday, 29 April 2023 5:55 pm
To: Transitional Levy 2023
Subject: [REDACTED]

[REDACTED]

Could I request (if possible) that the following additional comments be included with my submission. These relate to a very recent announcement by the Prime Minister that I believe has relevance to the matters I raised in my submission.

Thank you.

[REDACTED]

Addendum to the submission by [REDACTED] 29 April 2023.

I noted the recent announcement by the Prime Minister when he advised re the proposal that had been floated for a Levy to fund the Cyclone Gabrielle recovery was off the table. In the same announcement he also outlined the Government's intention re the forthcoming Budget.

It struck me as significant that the PM considered that (Source Radio NZ):

"In a cost-of-living crisis, now is **not the time to be asking Kiwis to pay more though a levy** for cyclone repair costs.

"The government has taken the decision to fund the recovery from here on through a combination of the annual operating and capital allowances we set each year for the Budget, **savings and reprioritisations**, and some debt as we invest in infrastructure repairs."

He highlighted **"restraint" as a key message** of the upcoming Budget. "We are taking a balanced approach that **reduces our spending** while also delivering core services," he said.

I believe that this message from the Government supports my call for FENZ to also tighten its belt and live within the current Levy rate. All NZer's have to accept this as a reality and I stress again that it is time for FENZ to similarly start making some savings and reprioritisations.

[REDACTED]
29 April 2023

On 18/04/2023 8:25 am, Transitional Levy 2023 wrote:

Thank you for your submission, [REDACTED]

Kind regards
[REDACTED]

-----Original Message-----

From: [REDACTED]
Sent: Monday, 17 April 2023 8:44 pm
To: Transitional Levy 2023 <TransitionalLevy2023@fireandemergency.nz>
Subject: Submission - [REDACTED]

Please find attached my submission on the proposes Transitional Levy Increase.
[REDACTED]



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