

Property Council New Zealand

Submission on the Targeted Consultation: Fire and Emergency Levy Exemptions

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For more information and further queries, please contact

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Submission to DIA on the Targeted Consultation: Fire and Emergency Levy Exemptions

1. Summary

- 1.1. Property Council New Zealand (“Property Council”) welcomes the opportunity to submit to the Department of Internal Affairs (“DIA”) on the targeted consultation: Fire and Emergency New Zealand (“FENZ”) Levy Exemptions. Comments and recommendations are provided on issues relevant to Property Council’s members.
- 1.2. Property Council acknowledges the practical need for a limited number of fire insured assets to be exempt from levies. However, we are concerned that a mistargeted levy exemption regime could ‘open the floodgates’ and result in more exemptions being added overtime, shrinking the asset base contributing to FENZ. This could increase the cost of levies for properties who continue to insure and also result in an increased number of fire insured assets that choose to self-insure. As such, we recommend implementing a levy exemption regime that is as limited and targeted as possible.

2. Recommendations

- 2.1 At a high level, Property Council recommends that DIA:
 - Implements a levy exemption regime that is as limited and targeted as possible;
 - Implement a discount system for a limited number of fire insured assets that have an existing fire service (e.g., Airports);
 - Incorporates mandatory reporting of FENZ data into legislation and/or regulation;
 - Actively implement a more appropriate level of crown contribution to FENZ; and
 - Ensure that public entities with property portfolios contribute a fair and equitable portion on FENZ levies.

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. The property sector shapes New Zealand’s social, economic and environmental fabric. 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 is New Zealand’s largest industry and fastest growing source of employment. There are nearly \$1.6 trillion in property assets nationwide, with property providing a direct contribution to GDP of \$41.2 billion (15 percent) and employment for around 200,000 New Zealanders every year.
- 3.4. Property Council is the collective voice of the property industry. We connect over 10,000 property professionals and represent the interests of over 520 members organisations across the private, public and charitable sectors.

4. General comment

- 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 further provide a significant public good to wider society.
- 4.2. 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. As an example, the 2020/2021 [FENZ Annual Report](#) highlights that 17.7% of FENZ responses were for medical emergencies, yet the medical system does not fund this activity, with the cost of delivering this service being met by levies on fire insured assets.
- 4.3. As stated in our [February 2020](#) and June 2022 submissions to DIA, we have opposed the current insurance levy based funding regime for FENZ, as we view it as inequitable, inefficient and unsustainable long-term.
- 4.4. The current system fails to provide funding for the wide range of public good activities that FENZ engages in, such as medical responses, with the vast majority of the financial burden to provide those services falling on fire insured asset owners. This outcome is inequitable, and contrary to the legislative funding principles established in the Fire and Emergency Act 2017.
- 4.5. There is also a significant issue with 'free-riders', who benefit from the universal nature of FENZ services but do not contribute to FENZ funding. This occurs either when asset owners choose to self-insure (and therefore not contribute levies) or when the public benefit from FENZ's public good services.
- 4.6. Given the importance of FENZ, and its wider mandate than just fire insured assets related instances, it is imperative to ensure that FENZ is properly funded through a fit-for-purpose funding regime.
- 4.7. Despite the recent Cabinet decision to retain the insurance-based model, Property Council has endeavoured to work collaboratively with government to resolve our longstanding concerns regarding FENZ funding. Our overarching concern is that the current trajectory of the funding review could further exacerbate inequities within the funding regime.
- 4.8. It is vital that FENZ has a broad base of contributors. We are concerned that widening the exemption pool too far will result in unintended consequences, that could negatively impact the long term funding pool available to FENZ. For example, there is a risk that exemptions could be expanded overtime which will shrink the size of that asset base, increasing the cost of levies for properties who continue to insure consequently resulting in an increased number of properties that choose to self-insure.

5. Levy exemptions

- 5.1. Since 2017, FENZ has been funded by the transitional levy funding regime, which contained a series of 'temporary' levy exemptions that will cease to exist when once the new levy regime is established by the Fire and Emergency (Levy) Amendment Bill. With this consultation, DIA is proposing to establish a new set of levy exemptions. Property Council intends to provide high level, principles based feedback in our submission.

- 5.2. DIA has proposed a levy exemption regime that would apply to assets that:
- Are inaccessible to Fire and Emergency;
 - Have an extremely low risk of requiring a FENZ response;
 - Are likely to be charged more than once, due to particularities about the way they are insured; and
 - Are difficult to collect the levy for, thus outweighing the benefits of increasing the levy base.
- 5.3. Property Council is aware of the practical need for a limited number of fire insured assets to receive a levy exemption. In the event that a property is truly inaccessible and unable to make use of FENZ services, we would be comfortable with an exemption. This should be accessed on a site by site basis, against a limited criteria to apply.
- 5.4. However, in our view, further extending levy exemptions for fire insured assets can ultimately result in a net increase in inequities within the funding regime. Particularly, given that significant cross-subsidisation already occurs under the status quo between different asset types.
- 5.5. We do not support policies that led to outcomes of further instances of significant cross-subsidisation. We believe that all users of FENZ should contribute to FENZ on an equitable basis; based on factors such as historical usage, risk and demand. Mistargeted exemptions also add complexity to the FENZ funding system.
- 5.6. Policies that contribute to increased net inequities and further instances of significant cross-subsidisation pose the significant risk of overtime shrinking the contributor base to FENZ. We are concerned that a mistargeted exemption regime could increase the cost of levies for asset owners who continue to insure and also resulting in an increased number of asset owners that choose to self-insure.
- 5.7. Based on demand, we would also argue that any changes to the levy funding regime will need to account for that fact that some particular industrial and infrastructure properties have their own on-site fire service. Airports are often a prime example of this, along with certain significant industrial sites. Property Council is of the view that in these circumstances, a discounted levy that was assessed on a site by site basis, would be an appropriate policy lever, to prevent inequitable outcomes.
- 5.8. Accordingly, Property Council recommends that DIA implements a levy exemption regime that is as limited and targeted as possible. In our view, if an asset or property owner is choosing to take out the relevant form of insurance and can benefit from FENZ services, there is a clear public policy rationale in applying the levy. Ensuring a sufficiently broad contributor base, that is closely linked to demand and usage, is critical for ensuring the most equitable and efficient funding regime.

6. Additional matters

- 6.1. There are a number of additional matters that Property Council wishes to raise in relation to the consultation on the proposed FENZ levy regime. While we acknowledge that these might not directly be in the scope of this consultation, we are of the view that when discussing which entities are granted exemptions from contributing to FENZ it is also important to discuss which entities should be contributing into the system.

- 6.2. Property Council is strongly of the view that there is an urgent need for greater crown contributions to 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. Property Council recommends that DIA actively work to introduce a more appropriate level of crown contribution to FENZ.
- 6.3. Property Council is also deeply concerned over the extent to which public institutions, 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. Continued reliance on self-insurance by public institutions, especially when viewed in tandem with the lack of crown public good funding, further perpetuates the inequitable imbalance between FENZ funders 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. We urge that as part of the funding review process, public entities with property portfolios, are encouraged to take a leadership role in contributing a fair and equitable portion to FENZ funding.
- 6.5. As a final matter, 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 a less than ideal, 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). We recommend that as part of the funding review process, DIA adopt mandatory reporting of FENZ data into legislation and/or regulation.

7. Conclusion

- 7.1. Property Council wishes to thank DIA for the opportunity to submit on the Targeted Consultation: Fire and Emergency Levy Exemptions. We acknowledge the practical need for a limited number of fire insured assets to be exempt from levies, however we have a range of concerns regarding the unintended consequences of a mistargeted exemption regime, including the potential to shrink the FENZ contributor base. As such, we recommend that DIA adopt as limited of levy exemption regime as possible. For any further enquiries, please do not hesitate to contact Logan Rainey, Advocacy Advisor, via email: or cell: 021410787.

Yours Sincerely,



Leonie Freeman

CEO Property Council New Zealand