

Property Council New Zealand

Submission on the Fire and Emergency New Zealand Levy 2026-2029 consultation

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For more information and further queries, please contact

Logan Rainey

Logan@propertynz.co.nz

021410787

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1. Summary

- 1.1. Property Council New Zealand (“Property Council”) welcomes the opportunity to submit to Fire and Emergency New Zealand (“FENZ”) on the FENZ 2026-2029 Levy Consultation.
- 1.2. Our prior submissions to FENZ and the Department of Internal Affairs (“DIA”) have 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. FENZ’s proposal means that non-residential property will pay 60 per cent of the total levy revenue, while at the same time, significant portions of FENZ resources go into responses and activities unrelated to fire insured assets. For example, medical responses accounted for 16.2% of FENZ call outs in 2020/21. Ultimately, non-residential property appears to end up cross-subsidising other beneficiaries of FENZ services. This is deeply inequitable.
- 1.4. Improving equity within the FENZ funding regime will require changing the distribution of the levy burden both across and within contributor groups (residential and personal property, non-residential property, and motor vehicles), as well as introducing supplementary funding. Supplementary funding options that Property Council New Zealand are supportive of include increased Crown contributions, higher levies and/or public good payments from publicly owned property and user charges (or partial user charges) where feasible.

2. Recommendations

2.1 At a high level, Property Council recommends that FENZ:

- Does not raise levy revenue by 5.2 per cent and instead, any increase in FENZ funding be paid for by a significantly increased Crown contribution;
- Adopts the universal flat levy rate of \$40.12 (excl. GST) for each insured motor vehicle, including commercial vehicles and third-party insurance;
- Raises the residential and personal property insurance caps;
- Reduces the levy on non-residential property and introduces a cap on the contributions of non-residential property;
- Request that the Crown provides a \$148 million contribution to cover FENZ medical responses, urban search and rescue responses and natural disaster responses;
- Request that the government implements a more significant increase in Crown contributions overtime and ensures that publicly owned property contributes a fair and equitable portion of fire levies or public good payments;
- Introduce user charges (or partial user charges) for FENZ services where feasible;
- Implement a levy exemption regime that is as limited and targeted as possible, and
- Adopts mandatory reporting of emergency response cost and beneficiary data into legislation and/or regulation, through an independent third party.

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. Issues with FENZ funding regime

- 4.1. Property Council 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. Despite providing a wide range of services, FENZ is almost entirely funded by a levy on contracts of insurance where property is insured against the risk of fire. 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 and/or pets, and natural disaster relief.
- 4.3. 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. Property Council is worried that the current approach to the FENZ Levy contravenes the legislative principles set out in the Fire and Emergency Act 2017 (in particular an equitable system). These are:
 - I. *Stable*
 - II. *Universal*
 - III. ***Equitable***
 - IV. *Predictable*
 - V. *Flexible*
- 4.4. For example, the table below outlines Levy Contributors and FENZ call outs for 2021/22.¹ It highlights that 16.2 per cent of FENZ responses that financial year were for medical emergencies. The consultation document further highlights that there will be an estimated total cost to FENZ for medical responses of \$58 million over 2026-2029. Yet, the medical system does not fund this activity.

Levy by Policy Type – Financial Year 2021/22		
Policy Type	FENZ Levy Revenue (per cent)	FENZ call outs
<u>Property type</u>		
Non-Residential Property	59 per cent	5.5 per cent structured fire
Residential Property (Buildings and Content)	35 per cent	0.8 per cent hazardous substances
Motor Vehicle	4 per cent	10.8 per cent motor vehicle collisions

¹ [FENZ Annual Report 2021/22](#), page 9.

Marine Cargo	2 per cent	
		10.9 per cent other fires
		5.2 per cent vegetation fires
		34 per cent false alarms
		16.2 per cent medical emergencies
		16.6 per cent other (rescues, evacuations, etc)

- 4.5. Collectively, 66.8 per cent of responses (medical emergencies, rescues and evacuations, and false alarms) fall outside of FENZ primary functions. The cost of delivering these additional services is largely being funded by levies on fire insured assets, highlighting the funding gaps of the current system.
- 4.6. 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.
- 4.7. Due to the current structure of the levy system, responsibility for paying FENZ levies falls on an uneven basis both across and within contributor groups (residential, non-residential, and motor vehicles). Numerous beneficiary groups (such as medical responses) do not pay into the system in a meaningful way. At the same time, the burden of levy can fall very unevenly within contributory groups, such as the extent to which commercial and industrial buildings appear to end up cross-subsidising FENZ responses to events like vegetation fires. This is extremely inequitable.
- 4.8. Improving equity within the FENZ funding regime will require changing the distribution of the levy burden both across and within contributor groups (residential and personal property, non-residential property, and motor vehicles), as well as introducing supplementary funding. These include increased Crown contributions, higher levies or public good payments from publicly owned property and user charges (or partial user charges) where feasible. Our position on both matters is discussed in the sections below.

5. Proposed increase to overall levy revenue

- 5.1. FENZ is proposing to increase the amount of levy revenue that they collect by 5.2 per cent, compared to the amount they will receive from 1 July 2024. This is ‘Option 3’ in the consultation document, with the other three options being:
- Option 1: No additional increase.
 - Option 2: 3.57 per cent increase; and
 - Option 4: 7 per cent increase.
- 5.2. In our [May 2023](#) submission, Property Council outlined our acknowledgement of the practical requirement to increase the transitional levy by 12.8 per cent, to fund the wage settlement with the Professional Firefighters Union. It is concerning that less than 12 months later, FENZ is now proposing additional increases to the amount of levy revenue collected.

- 5.3. This proposed increase represents another, cumulative, cost pressure for the property sector. There are currently a wide range of cost pressures; these include local government rates, increases to development contribution fees, and central government taxes such as the removal of commercial and industrial depreciation. Simultaneously, insurance, building products, building methods, and labour costs have also increased. Combined, these factors contribute to a toughening business environment for the property sector.
- 5.4. Property Council does not support the proposed 5.2 per cent increase to levy revenue. We are not convinced that a further increase to levy revenue is justified, nor that it will deliver improved frontline services, that will ultimately benefit insured property owners, which contribute the levy funds in the first place.
- 5.5. There is a clear need for further information on how FENZ proposes to spend the proposed additional revenue, and further analysis of other options for how FENZ could deliver the appropriate level of service in a more cost-effective manner. We are concerned that recent media commentary shows examples of inefficient spending by FENZ, and are worried that there is insufficient oversight and governance of FENZ spending decisions.
- 5.6. As such, Property Council strongly recommends that FENZ does not raise levy revenue by 5.2 per cent, and instead any increase in FENZ funding be paid for by a significantly increased Crown contribution.

6. Increased levy rate for motor vehicles

- 6.1. FENZ is proposing to introduce an increased levy rate for motor vehicles, which would lead to a greater share of the FENZ levy revenue coming from motor vehicle insurance policies. This proposal consists of a universal flat levy rate of \$40.12 (excl. GST) for each insured motor vehicle, including those over 3.5 tonnes (commercial vehicles) and will also include third party insurance as well.
- 6.2. Property Council strongly supports the proposed changes towards motor vehicle levies. It is important for all beneficiary groups to make a fair contribution to the cost of delivering these services. In the past motor vehicles have not contributed their fair share of levy revenue (currently 7.3 per cent) compared to their demand on FENZ services (approximately 16 per cent).
- 6.3. Having a flat rate is an efficient approach and will contribute reduced transactional costs. It is also highly encouraging to see that third party insurance will be included in the levy regime, given that motor vehicles insured in this manner just are likely to require FENZ services as other motor vehicle insurance types.
- 6.4. Overall, Property Council recommends that FENZ adopt the universal flat levy rate of \$40.12 (excl. GST) for each insured motor vehicle, including commercial vehicles and third-party insurance.

7. Changes to residential and personal property

- 7.1. FENZ is proposing to increase insurance caps on residential and personal property, at the same time as proposing significant reductions in the levy rate for residential and personal property. In the consultation document, FENZ has provided a range of options as outlined in *Table 1: Options of changes to residential and personal property*. FENZ has indicated a preference for Option 3 (1.85 cent rate on a \$625,000 residential insurance cap).

Table 1: Options of changes to residential and personal property:

Summary of levy options per \$100 insured

	OPTION 1 (as at 1 July 2024) 11.95 cents	OPTION 2 3.33 cents	OPTION 3 1.85 cents (preferred)	OPTION 4 1.52 cents	OPTION 5 1.37 cents
Residential property cap	\$100,000	\$300,000	\$625,000	\$1,000,000	Uncapped
Personal property cap	\$20,000	\$20,000	\$75,000	\$75,000	Uncapped

7.2. Property Council strongly supports increased residential and personal property insurance caps. The current figure of \$100,000 is significantly out of date, especially considering major growth in factors such as house prices, construction costs and general inflation. March 2023 data shows that the national median house price is currently \$800,000, with the median house price in Auckland currently being \$1,050,000².

7.3. Raising the insurance caps will also help ensure that the levy contribution is more fairly apportioned between residential property insurance holders. As such, Property Council recommends that FENZ raises the residential and personal property insurance caps.

8. Levy rate for non-residential property

8.1. FENZ is proposing to introduce a slightly lower levy on non-residential property. This would see a decrease from 11.95 cents to 11.51 cents per \$100 insured. At a minimum, Property Council would support the slightly lower levy on non-residential property in order to deliver a small reduction in the current burden on non-residential property.

8.2. However, given that this appears to be largely driven by the tightening of exemptions from the levy rather than any fundamental shift in the apportionment of the levy, we remain deeply concerned at the proposed overall burden on non-residential property.

8.3. Property Council is worried that non-residential property as a whole contributes around 60 per cent of the total levy revenue, while at the same time, significant portions of FENZ resources go into responses and activities unrelated to fire insured assets such as medical responses. For example, medical responses accounted for 16.2% of FENZ call outs in 2020/21. The extent to which non-residential property appears to cross-subsidize other FENZ users is deeply concerning.

8.4. We are also deeply concerned about inequities within the non-residential property contributor group. Data provided by FENZ shows that the single largest cost attributed towards non-residential property is vegetation fires, with \$733 million in total costs being assigned to non-

²https://www.reinz.co.nz/Web/Web/News/News-Articles/Market-updates/REINZ_March_data_Momentum_in_multiple_market_measures.aspx?name=REINZ_March_data_Momentum_in_multiple_market_measures

residential property across the 2026-29 period. This is despite the significant share of non-residential levy revenue that comes from commercial and industrial buildings.

- 8.5. It appears that commercial and industrial buildings ultimately end up cross-subsidising FENZ responses to a range of events that the vast majority have no meaningful connection to, such as vegetation fires. An equitable approach, in line with the principles of the Fire and Emergency Act 2017, would see a closer link established between contributors of the FENZ levy and beneficiaries of FENZ services.
- 8.6. Property Council strongly supports supplementary funding to reduce the overall burden on non-residential property, as discussed elsewhere in this submission.
- 8.7. Property Council strongly supports a reduction in the levy on non-residential property. This is critical for improving equity within the FENZ funding regime. We also strongly favour the development and introduction of an appropriate cap on the contribution of non-residential property, similar to that of residential property.
- 8.8. We support a non-residential cap because after a certain threshold, the cost of attending a call-out for FENZ will bear little to no relationship to the 'sum insured' of a given property. Developing an appropriate cap level for non-residential property will require greater data transparency from FENZ regarding the costs of servicing different types of fire events to inform decision making as well as to ensure 'buy-in' from the non-residential property sector.

Implementation of 'sum insured'

- 8.9. Property Council has previously acknowledged Cabinet's past decision to move towards 'sum insured' as the basis for collecting levies. For many contracts of insurance, this could significantly change the value that is subject to levies, and as such will likely impact the amount of levy revenue collected by FENZ. This is because as some properties may have previously had their levy payments calculated on indemnity value, rather than the 'sum insured' figure.
- 8.10. While FENZ has identified that moving to a 'sum insured' figure from an indemnity value may mean the FENZ collects more revenue, we are concerned that their modelling does not adequately account for the changing value that is subject to levies within many contracts of insurance and does not adequately lower levy rates accordingly. We are deeply dissatisfied with FENZ's view that if they over collect levy revenue, that they will "return excess revenues to policy holders from 2029/30"³. This is wholly inadequate.
- 8.11. In the event that the move towards 'sum insured' results in FENZ over-collecting revenue from non-residential property, we believe that immediate efforts to correct the levy rate and also refund the non-residential sector should be made.

9. Supplementary funding sources

- 9.1. There are several supplementary funding sources that Property Council wishes to strongly support.

Appropriate level of Crown Contribution to FENZ

- 9.2. 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 Page 33, Regulatory Impact Analysis: Interim Cost Recovery Impact Statement – Fire and Emergency Act Part 3 Levy.

three per cent of FENZ funding. Ensuring a more appropriate level of crown contribution, 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.

- 9.3. As an immediate step, Property Council recommends that FENZ request that the Crown provides a \$148 million Crown contribution to cover the total cost of FENZ medical responses, urban search and rescue responses and natural disaster responses. Secondly, Property Council also recommends that FENZ work with the government to implement a more significant increase in Crown contributions overtime. FENZ is a critical public service, and it is important to have sufficient public funding available.

Public institutions not contributing via FENZ levies

- 9.4. 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.
- 9.5. 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.
- 9.6. Alongside the 1 July 2026 move to the new levy 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.

User Charges

- 9.7. Property Council supports the introduction of user charges (or partial user charges) for FENZ services, in order to better allocate cost of FENZ call-outs to the beneficiaries of FENZ services. This would provide FENZ with an additional revenue source, independent to the levy or Crown.
- 9.8. Introducing user charges (or partial user charges) would create incentives for individuals and businesses to undertake effective and efficient risk minimisation strategies, as well as providing for cost recovery on costs arising from false/malicious calls which tie up FENZ resources. User charges will also help mitigate the aforementioned 'free-rider' effect.
- 9.9. There is clear precedent for user charges. Some New Zealand ambulance services are charging call-out fees to ambulance users of around \$100. These are typically a partial recovery of the total cost of delivering an ambulance service, which are estimated to be towards \$1000.

10. Changes to Levy exemptions

- 10.1. FENZ is proposing to exempt fewer types of property from the Part 3 levy than the number of types currently exempt under transitional levy settings. Property Council has previously recommended to FENZ the need to implement a levy exemption regime that is as limited and targeted as possible.
- 10.2 We believe that 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. It is important to ensure a fair apportionment of the levy across contributor groups, especially when broadening the types of property eligible for levies.

10.3 However, based on demand, we would also argue that any changes to the exemption's 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.

11. Transparency regarding FENZ data

11.1. Property Council has maintained longstanding concerns regarding the level of data transparency from FENZ on matters such as emergency response cost and beneficiary data. This has previously prevented further investigation into who benefits and who pays for the fire service.

11.2. Moving forward, it is important to continue efforts to enhance transparency on the levy to prevent issues such as those that have played recently with lacking access to information. To do so, Property Council recommends that FENZ adopts mandatory reporting of emergency response cost and beneficiary data into legislation and/or regulation. We further recommend that data reporting be undertaken by an independent third party, to support confidence in the data's validity.

12. Conclusion

12.1. Property Council is deeply concerned that the current approach to FENZ funding is inequitable, inefficient, and unsustainable long-term. Improving equity within the FENZ funding regime will require changing the distribution of the levy burden both across and within contributor groups (residential and personal property, non-residential property, and motor vehicles), as well as introducing supplementary funding.

12.2. Property Council wishes to thank FENZ for the opportunity to submit on the FENZ 2026-2029 Levy Consultation. For any further enquiries, please do not hesitate to contact Logan Rainey, Advocacy Advisor, via email: Logan@propertynz.co.nz or cell: 021410787.

Yours Sincerely,



Leonie Freeman
Chief Executive
Property Council New Zealand