



New Zealand Institute of Forestry

Te Pūtahi Ngāherehere o Aotearoa Incorporated

**Submission on the consultation of a proposed increase to
the Fire and Emergency transitional levy for the 2024/25
and 2025/26 financial years**

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

TransitionalLevy2023@fireandemergency.nz

James Treadwell, President
New Zealand Institute of Forestry
Te Pūtahi Ngāherehere o Aotearoa Incorporated

26 April 2023



Table of Contents

| | |
|---|----|
| Table of Contents | 2 |
| Introductory Comments | 3 |
| About the Submitter | 3 |
| General Comments Regarding the Consultation | 4 |
| FENZ Submission Form | 6 |
| Questions: | 6 |
| General Comments | 10 |



Introductory Comments

Thank you for the opportunity to submit on a proposed increase to the Fire and Emergency transitional levy for the 2024/25 and 2025/26 financial years.

If appropriate, the New Zealand Institute of Forestry (NZIF) wish to be heard in support of its submission.

About the Submitter

The New Zealand Institute of Forestry (NZIF) was incorporated in 1929. It has approximately 900 members who are individual professionals in forestry. The NZIF's objects are to advance the profession of forestry in New Zealand and to be an independent advocate for forestry.

The NZIF is committed to serving the practice of forestry and the wider community through education, accountability and its code of ethics and performance standards. It fulfils a quality assurance role, setting the benchmark for professionalism and the quality of advice and practice by which members and others in the profession are measured.

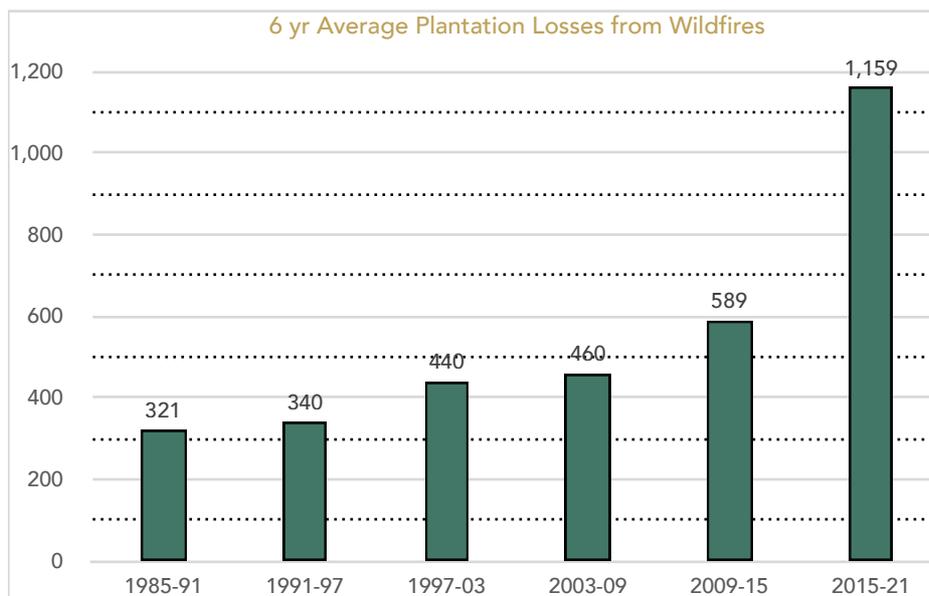
NZIF members are concerned with the professional management of all forest landscape, plantation and natural, conservation, protection and commercial. They can be found in forestry companies, consulting businesses, research institutes, educational facilities, government departments and providers of specialist services.

The members' qualifications and areas of expertise reflect the diversity of disciplines involved in managing all types of the NZ forest resource from traditional forestry degrees through science, economics, law, microbiology, hydrology, engineering, and resource management.

NZIF operates a regulated registration scheme which controls the registration and conduct of forestry professionals, whether they are consultants providing forestry advice to the public and private entities or acting in other roles.

General Comments Regarding the Consultation

- (1) The NZIF has a standing Fire Committee to consider fire management-related activities in the forest and rural landscape. This Committee is represented on the Forest Owners Association/Farm Forestry Association Fire Committee and the Australia/New Zealand Forest Fire Management Group¹. This allows regular information sharing between key stakeholder groups.
- (2) Plantation forestry contributes \$6 billion a year to New Zealand's economy. In addition, the plantation and forestry logging sector directly accounts for 0.6% of GDP or \$1,389 million².
- (3) It is concerning to see the increase in the six-year average plantation losses from wildfires since 2015. The average annual loss for 2015/21 is double compared to 2009/15. The following graph provides a six-year average loss since 1985.



- (4) The NZIF remains extremely concerned the \$223 million increase in annual expenditure since the urban/rural fire merger in 2017 has neither been explained nor justified.
- (5) The NZIF maintains there is no clear evidence the proposed 12.8% Fire Levy increase from 2024/25 will increase the level or the value of services provided to the forest and rural stakeholders.

¹The Forest Fire Management Group (FFMG) is comprised of Australian and New Zealand land management agencies with responsibility for forest fire management plus representatives from research, education and the forest industry. FFMG reports to the Primary Industries Ministerial Council and its Standing Committee of officials through the Forestry and Forest Products Committee.

² NZ Forest Owners Association.

- (6) The NZIF asserts FENZ has not described the activities to be undertaken in the next Fire Levy period, as legislation requires. Specifically:
 - a. The proposed operational costs for 2024/25 and 2025/26 are detailed but not the activities associated with them; and
 - b. FENZ cannot determine, for example, the costs of fire protection activities for plantation forests, conservation lands (including native forests), or other rural lands.
- (7) The NZIF notes the proposed increased levy cost of 12.8% will have to be absorbed by insured forest harvesting equipment owners, which will then be passed on to forest owners.
- (8) The NZIF wishes to draw attention to the significant forest owners contribution to fire control measures via equipment ownership and firefighter personnel training at an annual cost greater than \$11 million³.
- (9) The NZIF maintains any successful partnership requires open dialogue between parties based on full disclosure. FENZ's reluctance to be open about the costs of fire control activities associated with the management of fire in the forest and rural landscape puts the partnership at risk.



FENZ Submission Form

This submission was completed by:

| | |
|-----------------------------------|--|
| Name | James Treadwell, |
| Address | Level 9, 93 The Terrace, Wellington 6143 |
| Email | president@nzif.org.nz |
| On behalf of (if an organisation) | New Zealand Institute of Forestry |
| Position (if an organisation) | President |

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:



The proposed increase outlined in the consultation document is on top of a \$223.2m increase since FY2017/18. This additional increase is considered unwarranted. In addition no discernible improvement in the fire protection services has been outlined for an improvement in the management of fire in the forest and rural landscape.

By 2026/27, this proposal for a 12.8% increase in levy would increase FENZ's annual expenditure by 181% to \$766.8m since the urban-rural fire merger in 2017. In addition, since the urban-rural merger, we have seen management and support staff increase by 127% to 1,099 FTEs.

Table 4: Indicative costs for the new organisation

| Costs (\$millions) | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 ongoing |
|--|----------------|----------------|----------------|----------------|----------------|------------------------|
| Commission transfer ¹⁷ (TBC) | 396.9 | 406.20 | 406.20 | 406.20 | 406.20 | 358.9 |
| Rural fire funded transfer (TBC) | | 22 | 22 | 22 | 22 | 22 |
| New ongoing support expenditure (operating) | | 39.46 | 32.5 | 41.48 | 41.5 | 41.5 |
| New ongoing support expenditure (capital for urgent rural fire only) | | 8.82 | 14.88 | 5.82 | 5.8 | 5.8 |
| Repayable capital injection ceasing in 2026 | 11.2 | 11.2 | 11.2 | 11.2 | 11.2 | 11.2 |
| Total (TBC) | 381.1 | 488.7 | 486.8 | 486.7 | 486.7 | 439.4 |

Note: The costs have not been inflated because inflation should be considered as part of the levy setting process rather than assumed.

Table 4 (from the 2016 Cabinet Decision Paper EGI-16-MIN-0064) outlines the five-year indicative costs for FENZ from 2016/17 forward to 2021/22. This Cabinet Paper gave financial agreement for funding the merger of urban and rural fire services with effect from 1st July 2017. It also outlined the economic benefits and savings of \$47.3 million to be realized in FY2021/22.

No explanation has been forthcoming on the reasons why the economic benefits and projected savings have not been realised.

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:



As outlined in the Consultation Document, FENZ receives a \$10m annual 'Crown contribution' from the Government towards the public good component of our services.

Many of the services provided by FENZ include activities involving uninsured assets. NZIF proposes increasing the current \$10m annual Crown contribution to cover any shortfall if sufficient savings cannot be made from the current FENZ baseline to fund the recent career firefighter settlement with the PFU.

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~~

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

Yes / No

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

From 2018/19 to 2021/22, the average annual increase in fire levy income over four years was 2.9%. For the recent completed financial year ie., 2021/22 year saw a 5.6% increase in levy growth. The assumption of levy growth projections should more aligned with the past year. NZIF recommends the 2% growth in levy revenue stated in the consultation document be increased to 3.5%.

The NZIF view is there is no justification for any levy rate increase in the short term, given the concerns outlined above.

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):



NZIF recommends an independent review of the current annual spend by FENZ to ensure value for money is being achieved in the management of fire in the forest and rural landscape.

NZIF also recommends if FENZ requires any additional funding, this should be provided through an increase in the current Crown contribution, which currently sits at \$10m.

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?)

The FOA/FFA 2022 survey of forest owners found approximately 61.5% of the 1.3 million hectares of the plantation forest estate covered by the members surveyed were not insured for tree crop fire damage. Given the high annual cost of tree crop insurance the medium to large forest owners generally self insure and in effect are paying for forest fire protection but not through the FENZ model.

Across the country, the cost of insurance is increasing for both urban and rural property. Self-insurance is a decision held by many when double-figure annual increases in insurance costs are recently becoming the norm.

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:

When consulting on a new levy rate, the Fire and Emergency NZ Act requires FENZ "to describe the activities that FENZ proposes to undertake in the period." Appendix 1 in the Consultation Document outlines the cost of operating FENZ but not a breakdown of the cost involving FENZ activities which will be delivered for this baseline cost. NZIF recommends a complete analysis of the cost of FENZ activities involving fire service delivery across New Zealand as part of further consultation with stakeholders before any fire levy rate increase is approved by Government.

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

N/A



General Comments

NZIF would like to thank you for the opportunity to submit on this consultation. We would welcome any opportunity to provide further clarification in relation to the points we have made in the body of this submission.

If you have any queries, please contact the undersigned.

Yours sincerely,

A handwritten signature in black ink, enclosed in a red rectangular box. The signature appears to be 'James Treadwell'.

James Treadwell (*Fellow and RMNZIF*)

President

NZ Institute of Forestry

President@nzif.org.nz