

# **New Zealand's Fire Services – their current organisation, funding and issues arising**

Briefing material provided by the  
Department of Internal Affairs



## **Glossary**

<b>DoC</b>	The Department of Conservation
<b>FA</b>	a rural Fire Authority
<b>FRFA</b>	the Forest and Rural Fires Act 1977
<b>FSA</b>	the Fire Service Act 1975
<b>NRFA</b>	the National Rural Fire Authority
<b>NRFO</b>	the National Rural Fire Officer
<b>NZDF</b>	the New Zealand Defence Force
<b>NZFS</b>	the New Zealand Fire Service
<b>NZFSC</b>	the New Zealand Fire Service Commission



# Contents

<b>Part 1:</b>	<b>Organisation of New Zealand's fire services</b>	<b>7</b>
<b>Part 2:</b>	<b>Issues</b>	<b>19</b>
<b>Part 3:</b>	<b>How we pay for our fire services</b>	<b>25</b>
<b>Part 4:</b>	<b>Issues with existing funding</b>	<b>29</b>
<b>Appendix 1:</b>	<b>Terms of reference</b>	<b>31</b>

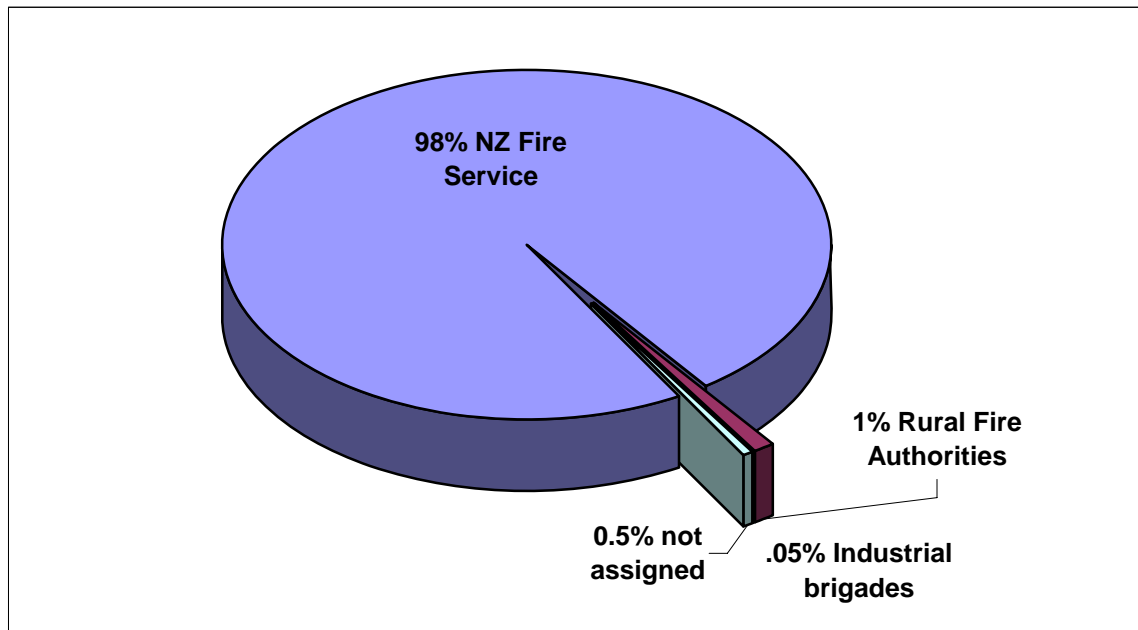


# 1 Organisation of New Zealand's fire services

## Two separate systems

- 1.1 Two fire management systems exist in New Zealand: a national 'urban' service provided by the New Zealand Fire Service (NZFS) and a 'rural' system under the control of 86 rural Fire Authorities. Both systems rely heavily on large numbers of volunteer firefighters.
- 1.2 The NZFS operates from a series of urban fire districts, which are the areas for which it is strictly accountable. Urban fire districts are comparatively small, because they are largely defined by the availability of reticulated water, and cover only about 3 percent of New Zealand's land area. Nevertheless the NZFS routinely travels outside urban fire districts to provide a first-response to a wide variety of incidents. Operating from some 440 fire stations, NZFS brigades can reach 85% of the population within a 7 minute response time.
- 1.3 Despite their name, "urban" fire services reach into some of the smallest towns in New Zealand. In Tolaga Bay, Karamea, and Browns the volunteer fire brigades are all part of the urban system. Complementing the urban system are a series of specialised private brigades. These brigades protect major commercial installations such as the Marsden Point Oil Refinery, the Tiwai Point Aluminium Smelter, and airports.
- 1.4 The broad reach and rapid response capability of the NZFS means that urban fire services are designated as the first responder to areas where almost all New Zealanders live, as shown in figure 1.1. Approximately one half of a percent of the population lives in remote or isolated parts of the country, which are beyond the effective reach of land-based fire services.
- 1.5 The rural system is much more varied in its firefighting arrangements. It is made up of 86 rural Fire Authorities, comprising the territorial authorities, the Ministers of Conservation and Defence, and committees of interested parties. Large forestry companies play a major role in rural fire prevention. In many areas they work with local authorities and other organisations as part of rural fire committees, contributing equipment, trained firefighters, and management resources to the local arrangement.
- 1.6 Rural Fire Authorities are responsible for fire management on the 97 percent of New Zealand land that lies outside defined urban fire districts. Within this area the Department of Conservation (DoC) is a significant fire manager because it manages the 30 percent of New Zealand that comprises national parks, forest parks, and other reserves. It also manages a one-kilometre fire safety margin around most of these regions.

**Figure 1.1: Proportion of New Zealand population covered by type of responding agency**



- 1.7 In carrying out the Minister of Defence’s responsibilities as a Fire Authority, the New Zealand Defence Force (NZDF) provides and maintains significant firefighting resources of its own. It operates six fire stations on Defence bases throughout the country and operates a training school for firefighters. While the NZDF primarily protects its own facilities, it also makes firefighting resources available to adjacent communities when it is able.
- 1.8 Rural firefighting operations often rely as much on contractors with helicopters and monsoon buckets as on firefighters based in fire stations. Therefore, rural fire management is largely invisible because it does not necessarily require fire stations with conventional fire appliances. However, important exceptions exist. In Waitakere, for example, three rural fire stations and six appliances give the appearance of urban services rather than rural ones.

### **How the systems fit together**

- 1.9 Despite prescriptive and unclear legislation, the two management systems have evolved to allow effective cooperation. The urban fire service, for example, is the first responder to as many as 80 percent of rural fires because it can respond almost immediately to 111 fire calls. When rural Fire Authorities arrive at a fire incident scene, they take over the command of the incident. Both organisations know the Fire Authorities are responsible for managing these incidents, so they have worked out operating protocols and charging mechanisms for the urban fire service’s first response.
- 1.10 Cross-boundary assistance occurs in both directions. For example, the NZFS attends many non-fire emergencies in rural areas, such as road accidents. In these emergencies NZFS participation is based on whether it can render useful assistance, rather than on the incident’s location.

1.11 Conversely, special agreements allow rural Fire Authorities to manage parcels of land in urban areas where special wildfire threats exist, for example, an area of vegetation on Mount Victoria in the middle of suburban Wellington.

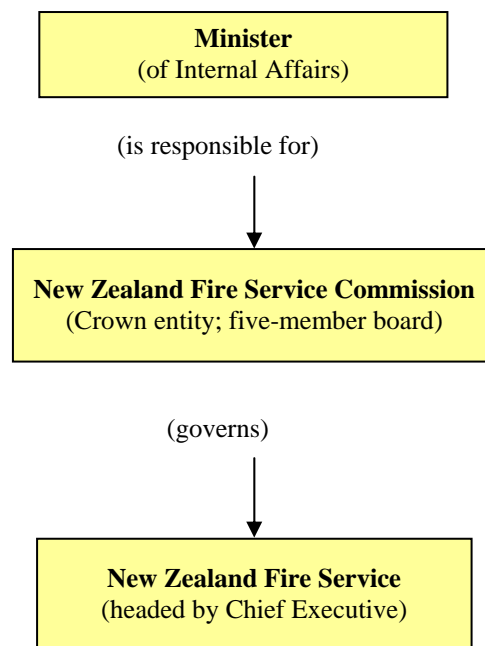
### Urban fire services

1.12 The FSA is ‘An Act to establish the New Zealand Fire Service and to consolidate and amend the law relating to the protection of life and property from fire and to certain other emergency services.’ (long title to the FSA). It set up the NZFS as the country’s national firefighting organisation and placed it under the NZFS Commission’s control. Figure 1.2 shows the urban fire accountabilities.

### New Zealand Fire Service Commission

1.13 The NZFS Commission is unusual in that it has both governing and operational functions. As a Crown entity it is the NZFS’s governing board and is responsible to the Minister of Internal Affairs for the efficient administration of the FSA. However, it also has direct responsibilities to ‘take an active and co-ordinating role in the promotion of fire safety in New Zealand’.

**Figure 1.2: Urban fire accountabilities**



1.14 As well as having a general coordinating role, the NZFS Commission must:

- ensure fire safety knowledge is applied throughout the community
- maintain an interest in fire safety through education and publicity
- publish and disseminate fire safety literature
- research fire safety methods and practices
- seek ways to reduce the incidence and consequences of fire, including the risk to life from fire

- receive and audit the fire service levy.

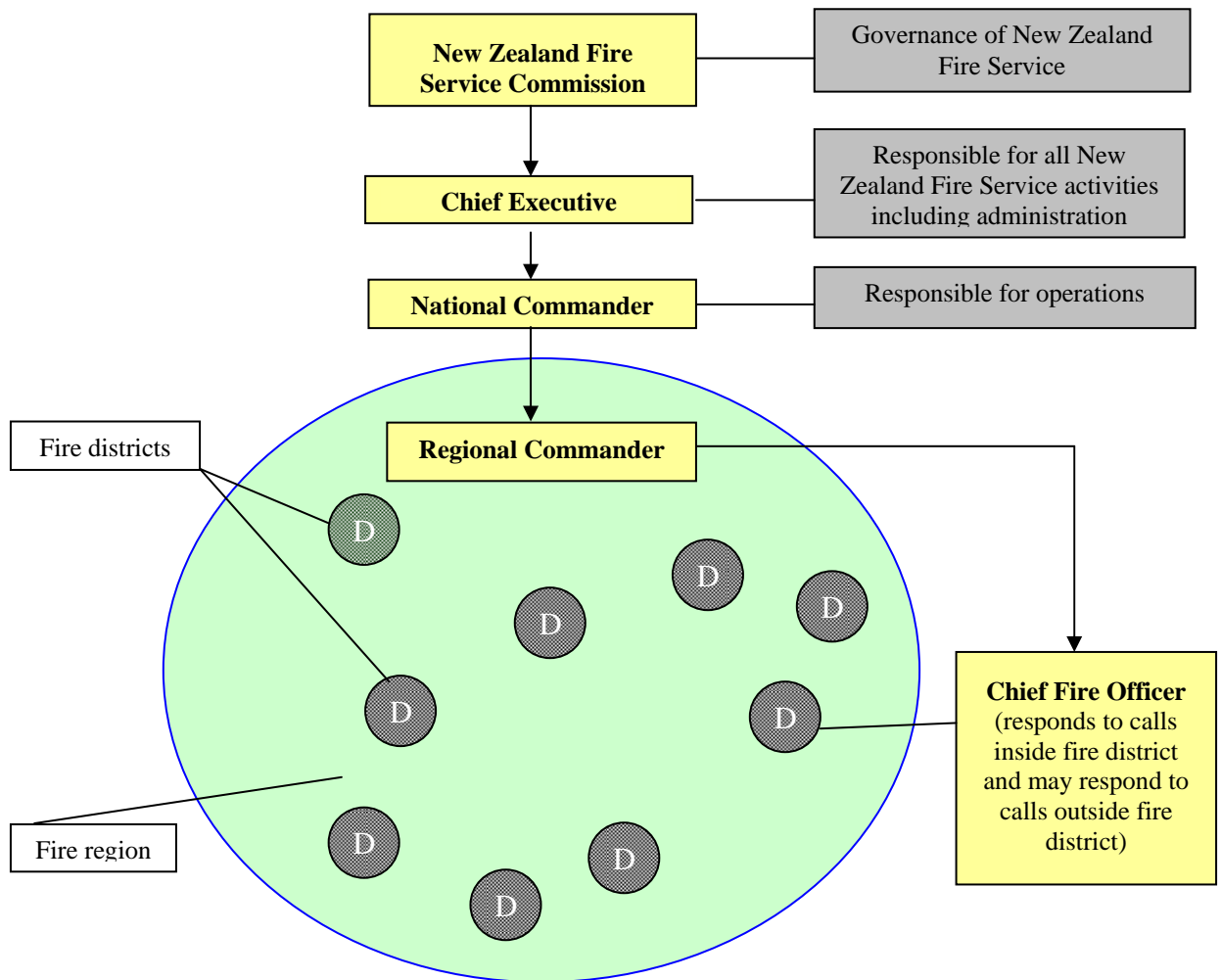
1.15 In a separate role, the NZFS Commission is the National Rural Fire Authority (NRFA) for FRFA purposes (see Figure 1.9).

### New Zealand Fire Service

1.16 A Chief Executive heads the NZFS and is responsible to the NZFS Commission. The Chief Executive is responsible for day-to-day management and appoints NZFS personnel, including:

- eight Fire Region Managers
- Chief Fire Officers and Deputy Chief Fire Officers
- staff in national headquarters (in Wellington)
- staff in three emergency communication centres (in Auckland, Wellington, and Christchurch).

**Figure 1.3: Geographic and command structure of the New Zealand Fire Service**

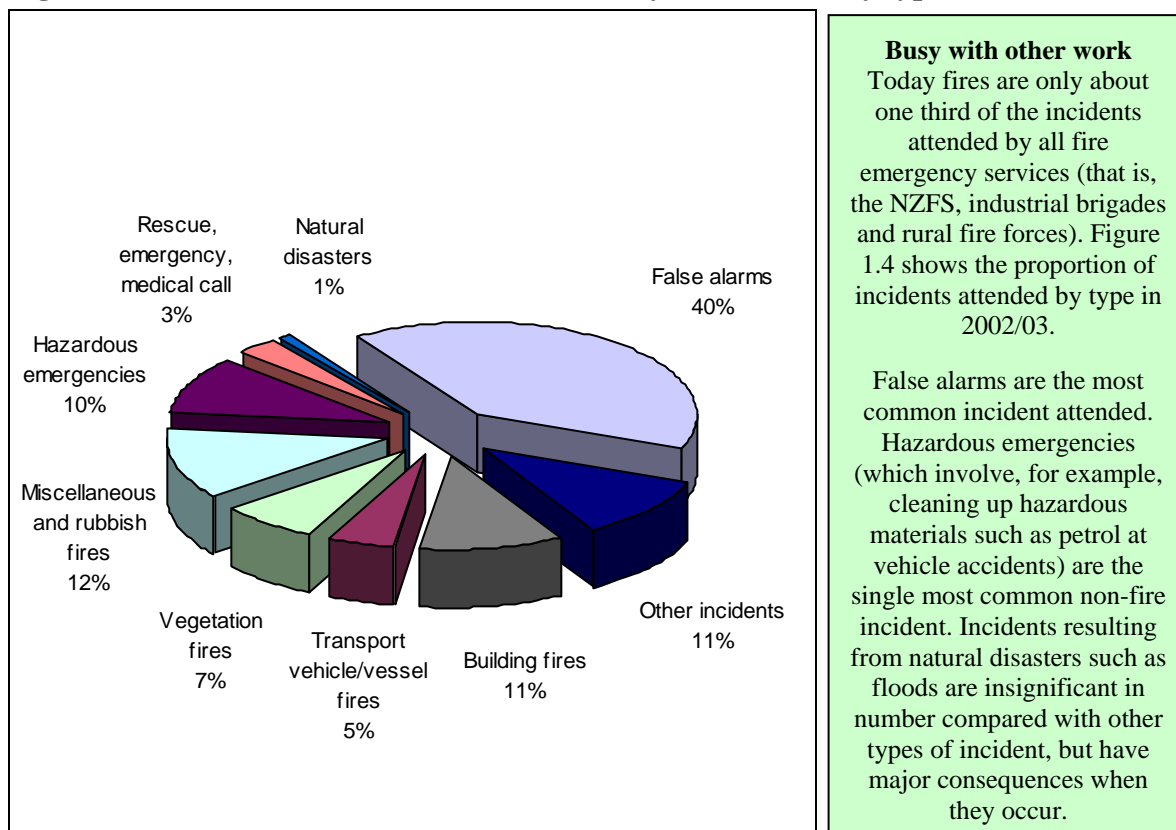


1.17 Within fire districts the National Commander is the NZFS’s operational head and is responsible for the prevention, suppression, and extinction of fires and the safety of people and property endangered by fire. The National Commander:

- allocates resources between fire districts
- forms agreements with other fire services
- issues national operational instructions for all urban fire services
- develops policy on NZFS attendance at non-fire incidents.

1.18 Although the legislation constitutes the National Commander as a separate office from the Chief Executive, the same person may hold the two offices. This is the current situation.

**Figure 1.4: Breakdown of incidents attended by fire services by type, 2002/03**



*Source: New Zealand Fire Service*

*Fire districts: geographical building blocks*

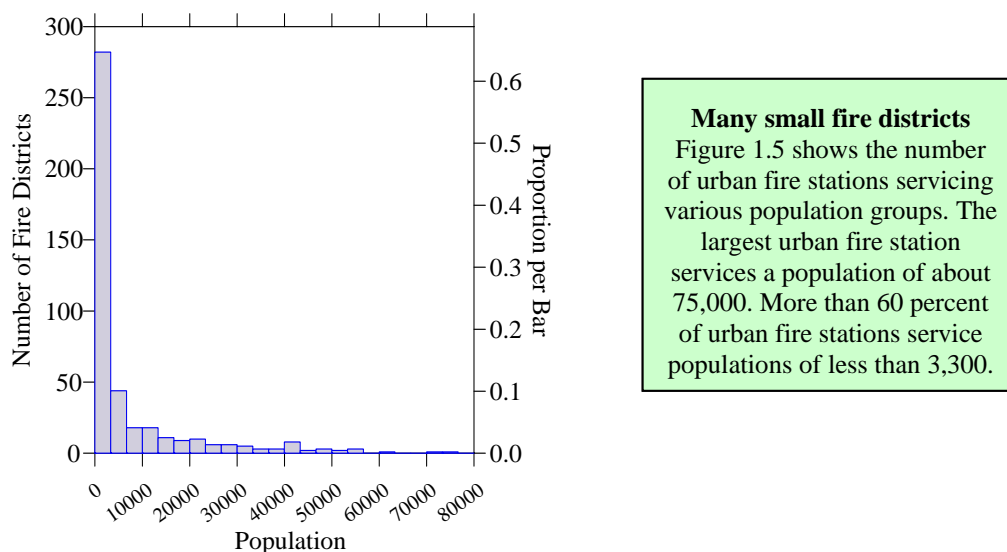
1.19 The FSA empowers the NZFS Commission to divide New Zealand into fire regions, fire areas, and fire districts. All fire districts must be contained within fire areas, which must be contained within fire regions. All suppression activities are delivered at a fire district level.

1.20 Fire districts are the geographical building blocks of the urban fire management system. As with fire regions and areas, they must be formally gazetted (that is, by being notified in the *New Zealand Gazette*) before being established, abolished, or altered. The formality of the change process, along with the general difficulty of removing fire stations, makes reorganising the NZFS complex and demanding, so changes have occurred only slowly.

1.21 The FSA laid down that the urban fire districts existing before the Act's introduction would be reconstituted as fire districts from 1976 onwards. The

impact of this is that the NZFS's operational structure reflects a much older provenance than the FSA's enactment date suggests.

**Figure 1.5: Number of urban fire stations by population serviced**



**Many small fire districts**  
 Figure 1.5 shows the number of urban fire stations servicing various population groups. The largest urban fire station services a population of about 75,000. More than 60 percent of urban fire stations service populations of less than 3,300.

*Source: New Zealand Fire Service*

*Statutory officers: managerial building blocks*

1.22 In addition to the prescribed geographic structure, the FSA establishes a separate management structure with statutory powers and responsibilities for designated officers. It lays out the separate roles and responsibilities of the Chief Executive, the National Commander, the Deputy National Commander, the National Rural Fire Officer, Chief Fire Officers, and Deputy Chief Fire Officers.

1.23 The existence of multiple statutory officers means a degree of independence and flexibility for local decision making, but can diminish central accountabilities.

*Firefighting central, but other roles envisaged*

1.24 The FSA focuses on managing the risks from fire. For example, a Chief Fire Officer must 'forthwith proceed' to any fire or alarm to 'endeavour by all practicable means to extinguish and prevent the spread of the fire (if any), and to save lives and property in danger' (section 28(2) of the FSA).

1.25 Except for a key role with hazardous substances, non-fire roles are acknowledged only slightly. The FSA empowers a Chief Fire Officer who considers a brigade could render assistance in the event of 'any emergency' to 'take whatever action is necessary to save lives and property in danger' (section 28(3) of the FSA).

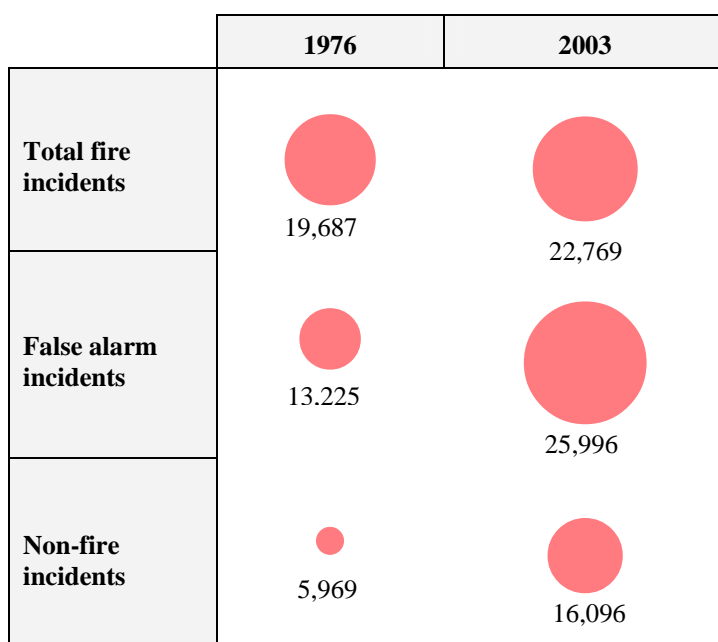
*Widening scope of activities*

1.26 The urban fire service has become increasingly involved in a range of incidents other than firefighting. Some incidents involve specialised skills and equipment, for example, motor vehicle incidents, urban search and rescue activities, and medical assists. The legislative mandate for the service to carry these activities out is weak and fails to recognise a more general 'rescue' role (see figures 1.7 and 1.8).

1.27 The NZFS is increasingly required to fulfil responsibilities given to it in legislation such as the Hazardous Substances and New Organisms Act 1996 and

Civil Defence Emergency Management Act 2002. The latter Act, in particular, has led to the NZFS's increasing involvement with local authorities and communities.

**Figure 1.6: Incidents by type, 1976 and 2003**



*Source: NZ Fire Service*

**Non-fire incidents booming**  
 Figure 1.6 shows the change in the types of incident attended by fire services from 1976 to 2003. The circles are drawn in proportion and represent the number of incidents by type. In 1976 rural and urban fire services' main activity was fighting fires (19,687 fires). Non-fire incidents (5,969) were only 15 percent of the total workload.

The number of fires did not increase significantly from 1976 to 2003, but non-fire incidents almost trebled to 16,096 (25 percent of the workload). False alarm incidents increased from 34 percent of emergency responses in 1976 to 40 percent in 2003, becoming the main response type.

1.28 These changes capitalise on the NZFS's special strengths, in particular its comprehensive national network (some 440 fire stations), its well-developed communications system, and a seven-day, 24-hour capacity in all major urban areas. In addition, a significant reserve of skilled first-response personnel gives the NZFS unique advantages as a first-responder organisation.

## Rural fire services

### *Limited legislative mandate*

- 1.29 The Forest and Rural Fires Act 1977 (FRFA) is an Act 'to consolidate and amend the law relating to the safeguarding of life and property by the prevention, detection, control, restriction, suppression and extinction of fire in forest and rural areas and other areas of vegetation' (long title to the FSA).
- 1.30 Rural fire legislation evolved out of a colonial past where forests and vegetation were burned to clear the way for farmland. Fire continued to be used as a significant land management tool in many rural areas, and the developing legislation focussed sharply on the management of the risks around these activities.
- 1.31 The move to create a national fire management organisation for urban fire services in 1975 was not reflected in rural legislation. The 1977 FRFA remained strictly for fire and makes no mention of fire services attending any kinds of non-

fire emergency. Rural fire forces, therefore, have no legislative mandate to attend motor vehicle or other non-fire incidents. Nor do they have any mandate to cooperate in civil defence arrangements.

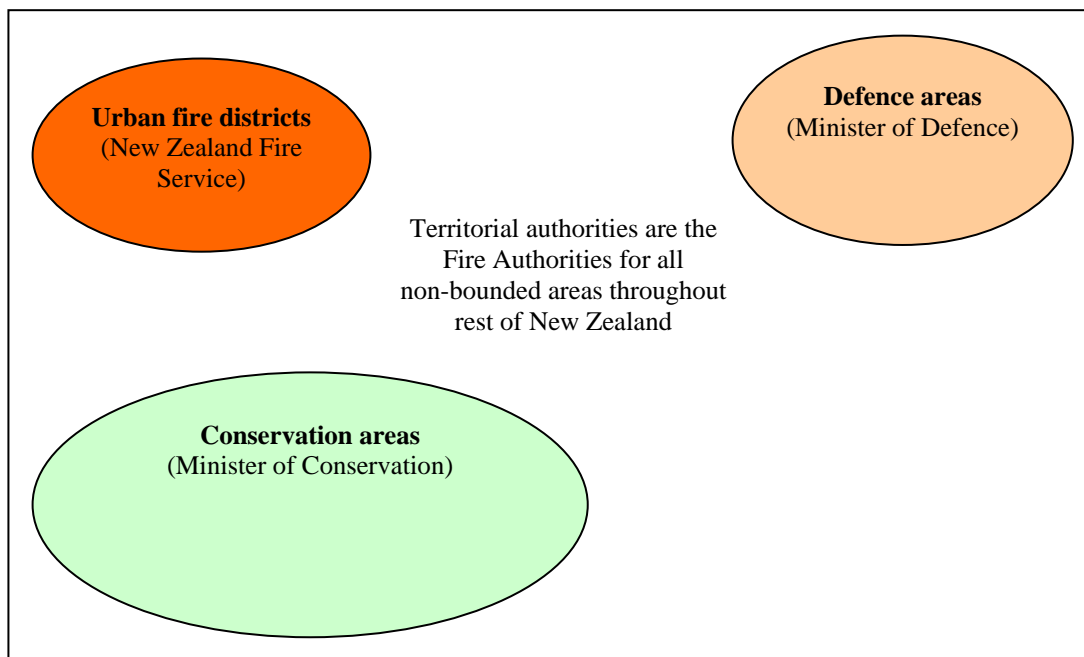
- 1.32 Because urban and rural fire services are operationally separate, rural areas tend to lack the non-fire services provided by urban brigades. This operational gap is masked by the New Zealand Fire Service extending its activities into areas where it has no direct fire responsibilities.

*Local responsibility through Fire Authorities*

- 1.33 The FRFA provides for Fire Authorities to manage the fire risk throughout the country. In the first instance, territorial authorities are the Fire Authorities within their own boundaries and are responsible for fire management except in areas:

- defined as urban fire districts
- for which the Minister of Conservation is responsible
- for which the Minister of Defence is responsible.

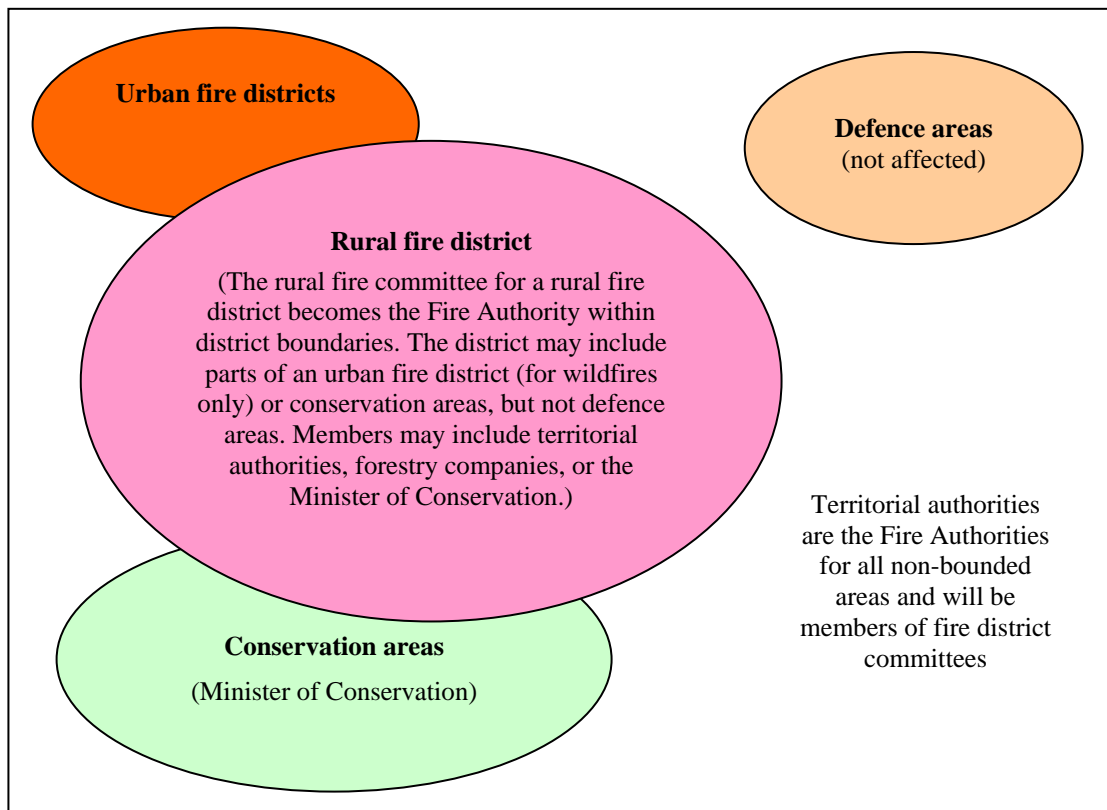
**Figure 1.7: Fire accountabilities before rural fire districts formed**



- 1.34 Under the FRFA fire management areas may be modified or amalgamated with the creation of rural fire districts. This allows Fire Authorities and other fire interests to manage their fire risks collectively. The FRFA provides that the NRFA may form a rural fire district in any part of New Zealand, which means it may overlap urban fire districts or conservation areas. Rural fire committees administer these districts, becoming Fire Authorities in this capacity. The NRFA determines the membership of rural fire committees, which may comprise:

- one or more local authorities
- forestry companies and other stakeholders
- the Minister of Conservation.

**Figure 1.8: Fire accountabilities after rural fire districts formed**



1.35 A Fire Authority must:

- encourage, promote, and carry out fire control measures, which includes writing fire plans
- maintain registers of the boundaries it administers
- record agreements for special management arrangements, and may
- make bylaws for fire control.

1.36 In carrying out these duties, the Fire Authority, with the NRFA, must:

- observe weather conditions and assess fire hazards
- give warnings of the imminence of fire hazard conditions
- give out information about fire hazard conditions.

1.37 However, the FRFA is not a complete guide for rural fire management. It overlaps with the FSA, which separately requires an NRFA and allocates this role to the NZFS Commission. The NRFA coordinates and promotes rural fire control matters and sets out the requirements for

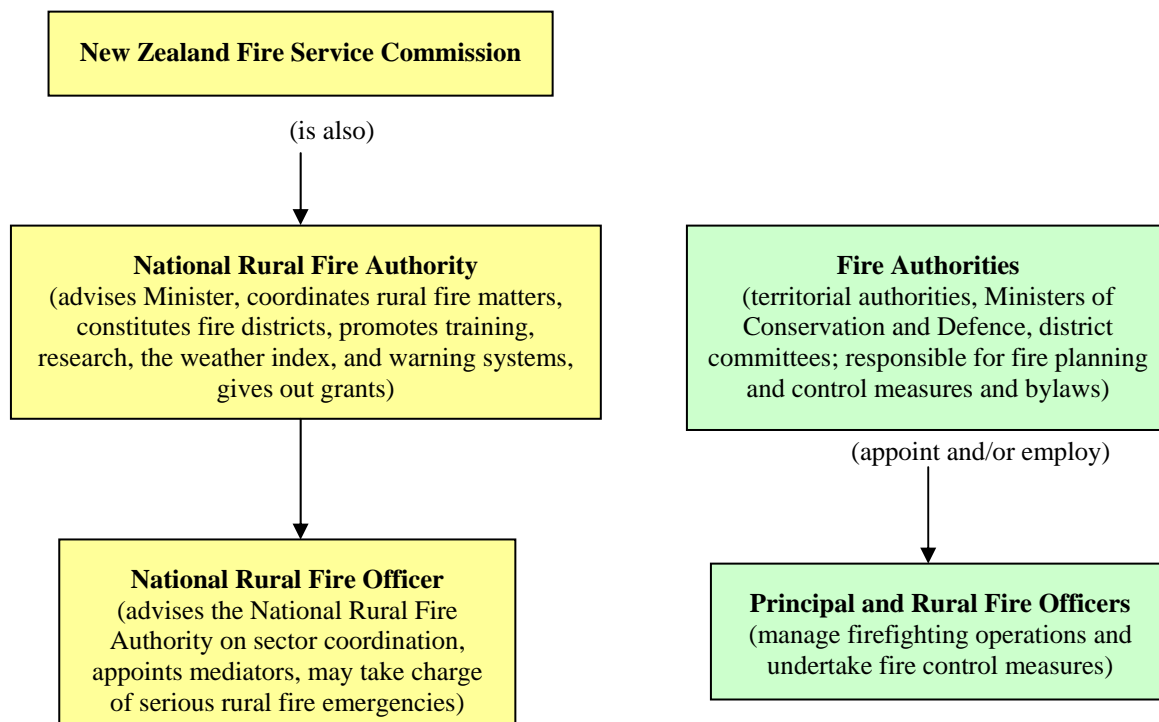
**Rural fire forces helping with much more than fire**

During 2003, rural fire forces spent more than 1,700 hours at emergency incidents other than vegetation fires (that is, incidents for which they have no jurisdictional authority). This equates to about 56 percent of their total emergency response activity.

effective rural fire control measures for rural Fire Authorities. The FSA also requires the NZFS Chief Executive to appoint a National Rural Fire Officer and defines the officer’s responsibilities. These requirements help to give a national perspective to rural fire management.

1.38 Nevertheless, the FRFA establishes the central element of rural fire management: local responsibility through a network of rural Fire Authorities (figure 1.9).

**Figure 1.9: Rural fire accountabilities**



*Rural fire districts*

1.39 The NRFA may constitute ‘any part or parts of New Zealand’ as a rural fire district (section 4 of the FRFA). It may alter, redefine, or abolish such districts, although these processes must be administered formally by notice in the *New Zealand Gazette*.

1.40 The creation of rural fire districts is reflected in a parallel requirement for a rural fire committee to be the Fire Authority for each district. All rural Fire Authorities must carry out fire control measures in their areas, including providing fire plans. To achieve this they employ fire officers and rely on 3,000 volunteers, and contractors to staff essential firefighting operations. The 86 rural Fire Authorities comprise:

- the Minister of Conservation for conservation areas
- the Minister of Defence for defence areas
- rural fire committees (when a rural fire district exists)
- territorial authorities for the balance of land outside urban districts.

**Small but willing**  
Sixteen rural towns with populations under 1,000 maintain a volunteer fire brigade and a voluntary rural fire force.

### *Rural fire officers' special powers*

1.41 The requirement to appoint various statutory officers is also a feature of the FRFA. Each Fire Authority must appoint at least one Rural Fire Officer and if more than one has been appointed in any district to appoint a Principal Rural Fire Officer.

1.42 Principal and Rural Fire Officers have significant duties. They must:

- proceed to fires and 'endeavour by all practical means to extinguish the fire and prevent the spread thereof and to save lives and property in danger' (section 36(1) of the FRFA)
- control any brigade or volunteers whose services are required, except when a building is on fire.

Principal and Rural Fire Officers may:

- enter any land or structure that may be on fire
- transport equipment through any premises or land
- carry out preventative burning
- demolish or shore up dangerous premises
- access water supplies
- close off fire areas
- order people away from fire areas
- requisition firefighting assistance.

These powers belong directly to Principal and Rural Fire Officers rather than to the management organisation accountable in their area.

### **Volunteers**

1.43 Volunteer firefighters are enormously important for maintaining a credible nationwide fire protection system. Overall, 11,000 volunteers constitute 87 percent of the total firefighting labour force and are the key to achieving widespread coverage across the country. In the urban system 8,000 volunteers complement 1,700 full-time paid firefighters; while in rural areas 3,000 volunteers assist a few local authority staff and contractors with fire control responsibilities.

1.44 The supply of volunteer firefighters is under significant pressure from:

- changing demographic trends
- increasing occupational health and safety requirements
- rising public expectations about greater coverage
- greater personal liability risks.

However, the difficulty obtaining volunteers may need to be addressed as a management issue rather than through legislation.



## 2 Issues

### Problems with the legislation

- 2.1 New Zealand's fire legislation suffers from several problems: some arise from the way the legislation is written; others arise from the structure it describes; and others result from the inequities it creates. Are we best placed for future changes?
- 2.2 The legislation's lack of clarity leads to ambiguities, inconsistencies, and gaps. For example, rural firefighters do not have a legal duty to assist with the wide range of emergencies they commonly attend, and may have no legal protection when they do attend.
- 2.3 The structural problems relate to the dual framework structure for fire management. Two independent fire management systems, with 87 accountable managers, mean the approach to fire risk cannot be coordinated in the most efficient way. At best this means a less efficient use of resources; at worst it could lead to an absence of services or poor coordination during large emergencies. In many cases it means there are significant variations in equipment, and service capability between urban and rural firefighters.
- 2.4 The inequities relate to who pays for and who benefits from the fire protection system. These inequities will be dealt with fully in the second discussion document, which focuses on funding and financial issues.

### Need to resolve issues now

- 2.5 Despite the problems, New Zealand is well prepared for fire emergencies. The cooperation and common sense of experienced fire managers and firefighters achieve good results (see section 1). However, firefighters and their managers might face exposure to liability claims if things go wrong.
- 2.6 The ambiguities, gaps, and inconsistencies in the legislation need to be fixed in the short to medium term. These are specific problems that need specific solutions. However, they are extensive, so a major rewrite of the legislation is needed.
- 2.7 The problems with the dual management structure are less pressing but potentially of greater magnitude than the purely legislative problems. It's not that we're doing things badly, but that we might be able to do them better. An integrated management framework offers the possibility of more efficient resource use. The longer we put off doing things more efficiently, the more it will cost us in the long run.
- 2.8 The key questions for any new framework are: how will it support the firefighter and community base on which it depends, how will it ensure consistent services and consistent resource support, and how can it be equitably funded?
- 2.9 In assessing a new model, we need to value the current one properly. We need to know its strengths and weaknesses. For example, our present fire management systems depend not only on the efforts of full-time paid firefighters, but on the significant contributions of volunteers and their communities. Any new system must be careful to preserve the role of volunteers and to retain local communities' support and encouragement. It would be of little overall benefit to

seek small financial gains in some parts of a new system, if they lead to significantly diminished contributions by volunteers.

2.9 A new system must achieve one of three outcomes. It must do:

- the current job for less than it costs under the present system
- more things for the same cost as the present system
- a bigger job for a smaller cost increase than would occur under the present system.

While achieving these outcomes any new system must also ensure that there is a greater consistency of services across New Zealand.

### **Ambiguities, gaps, and inconsistencies**

2.10 The legislation:

- is ambiguous about fire suppression services' functions and accountabilities
- is unclear about fire boundaries
- has gaps in the mandate for firefighters to perform non-fire tasks
- has gaps in the linkages to current civil defence structures
- is complex in its description of who is accountable for attending structural fires in rural areas
- allows for agreements for service between the NZFS Commission and volunteer fire brigades which leave the relationship between volunteers and the NZFS unclear in some respects
- lacks guidelines about payments to volunteers in the rural sector
- allows different standards and processes for fire permits in different regions.

The following discussion deals only with the main problems listed above.

#### *Ambiguity about fire suppression services' functions and accountabilities*

2.11 One of the fundamental problems with the FSA and FRFA is whether they divide the country functionally or geographically. That is, does responsibility for vegetation fires and wildfires lie with rural Fire Authorities or only if they are within rural areas? Are structural fires the sole responsibility of the urban fire service or only when they occur in urban fire districts?

2.12 In one view the legislation is built on the notion of territoriality, that is, a single 23.13 In the other view, the type of fire is paramount. This functional view is strengthened by both Acts allowing urban and rural fire districts to be declared in any part of New Zealand. It would be possible, for example, for a rural fire district to be declared across the boundaries of an urban fire district. Therefore, two authorities would have complementary powers to carry out the fire control measures considered necessary in their district.

2.13 The functional view is strengthened by the long title to the FRFA, which refers to consolidating 'the law relating to ... fire in forest and rural areas and other areas of vegetation'. In this view vegetation fires and wildfires are different from

other fires. They are part of larger land-management issues and require different knowledge bases, different management regimes, and differently trained and equipped firefighters to extinguish them.

- 2.14 Each Act allows the different authorities to cooperate to carry out operations within another's territory. Under the FRFA, a fire authority may exercise its powers in areas of vegetation within urban districts. Conversely, under the FSA a Chief Fire Officer may 'in the event of any fire or other emergency ... outside any Fire District ... take whatever action is necessary to save lives and property in danger' (section 28A of the FSA).
- 2.15 An integrated management system could resolve the ambiguities by recognising the supremacy of districts for all fire accountabilities or by doing away with them. The latter option would establish a wildfire management responsibility for the whole of New Zealand. In both scenarios it would be possible to build on the strength and knowledge of local communities.

#### *Unclear boundaries*

- 2.16 No single authoritative and agreed map of New Zealand's fire jurisdictions exists.
- 2.17 While this boundary uncertainty is not strictly a problem of the legislation, it is exacerbated by the complex and cumbersome processes to effect boundary changes, which are in the legislation. The situation is compounded by complex historical agreements that make it difficult to be sure about the differences between modern operational maps and gazetted areas from long ago. In short, fire management boundaries are not well understood.
- 2.18 The process of establishing or changing urban fire districts is relatively cumbersome, and difficult to achieve. For example, community resistance to proposals for boundary changes occur because people fear they might lose their fire stations.
- 2.19 The problem of unclear boundaries could be resolved by simplifying the boundary definition processes or by doing away with statutory boundaries. For example, local communities should have a say in who was to be responsible for which regions.

#### *Lack of recognition for non-fire rescues*

- 2.20 Non-fire emergencies are secondary to fire emergencies in the current fire legislation. The long title to the FSA says it is 'an Act to consolidate and amend the law relating to the protection of life and property from fire and to certain other emergency services'. Thereafter, the Act focuses almost exclusively on the arrangements for 'fire'. The Act does give separate recognition to the attendance by a brigade at a hazardous substance emergency, where it gives the Chief Fire Officer or Deputy Chief Fire Officer the powers of an enforcement officer under the Hazardous Substances and New Organisms Act 1996. Other emergencies, however, have a much weaker underpinning, with the FSA referring to attending to emergencies 'where the brigade could render assistance.' This creates a hierarchy of requirements for the Fire Service, with fire the primary focus, hazardous substances in a secondary group, and other emergencies in a third group.
- 2.21 The effect of this unequal attention to non-fire emergencies on the urban Fire Service is twofold. First, it suggests it is more important for the Fire Service to

attend fires than other emergencies, implying it must attend a burning garden shed before a motor vehicle accident. Secondly, it gives the Fire Service doubtful authority to spend money on non-fire equipment. Buying a specialised road crash tender, for example, would be more difficult to justify than replacing a fire appliance.

- 2.22 The FRFA does not mention attending non-fire emergencies. This means in 'rural' areas the legislation does not empower firefighters to act in non-fire emergencies. The lack of statutory recognition to carry out this function creates uncertainty about the rights of rural firefighters to help in many emergency situations and exposes them to risk. Public authorities will always look first to the requirements of legislation to establish how they should be using their resources. The legislative gap around non-fire services means many rural communities are not able to provide their own rescue services, even if they have trained volunteers who could do so.
- 2.23 In practice we know urban and rural firefighters carry out extensive non-fire emergency activities and have done so for a long time. Operating the Jaws of Life at a motor vehicle incident is often crucial to saving a life. For some fire stations non-fire incidents outnumber fire incidents, yet the legislation deals almost exclusively with the fire environment, failing to recognise the importance of this more general rescue role.

#### *Gaps in mandate for firefighters to perform non-fire tasks*

- 2.24 Under the FSA attendance at non-fire emergencies is allowed, but subject to the judgement that a fire brigade 'could render assistance' (section 28 of the FSA). The FRFA omits all reference to other emergencies, so rural firefighters have no mandate to carry out non-fire work, including civil defence.
- 2.25 It is anomalous that the FSA protects and empowers firefighters who are assisting with non-fire rescues but that the FRFA gives no protection to rural firefighters providing the same assistance. This effectively allows some communities to provide their own broadly-based emergency response capabilities, but denies the same right to other communities. The public has every right to expect consistent services and protection from firefighters if they appear as part of the 111 emergency response system. The relevant issue is whether firefighters are adequately trained for the emergency tasks they perform.
- 2.26 It must also be recognised that 111 calls for fire service help at non-fire emergencies are growing rapidly. Figure 1.6 showed their increase from 1976 to 2003. As the population grows, the number and diversity of non-fire emergencies can also be expected to grow. For example, responses to the anthrax scares in 2001 were carried out by firefighters equipped with full-body protection suits and breathing apparatus. Firefighters have been at the forefront of responses to floods and storms. In the absence of any other organisation equipped and trained to carry out these tasks, we need to ensure our firefighters are properly empowered to respond to these calls.

#### **Issues with dual management structure**

- 2.27 A dual management structure causes efficiency and coverage problems.
- 2.28 Efficiency problems relate to the overall system's efficiency rather than to each management system's efficiency. It would be difficult, for example, to make

large improvements in the efficiency of the rural fire management system. The rural system's modest annual operating budget is possible because the rural system has a narrow operating focus and assembles only when needed, so has low standing costs.

- 2.29 By contrast the urban fire service is a 'readiness' organisation. It is the only civilian emergency organisation able to assemble trained personnel quickly to address a wide range of emergencies. The cost of maintaining this capability is relatively high, but once in place, its marginal operational costs are low. If the resource did not exist in the fire service it would probably have to be created elsewhere, at much greater cost.
- 2.30 Gaining efficiencies in the overall fire management system depends on optimising the resources and coverage between the two systems. At the least this requires coordinated management between the two systems. Further efficiencies might also be achieved through a single emergency organisation, though this could only occur if the high overall level of volunteer inputs were retained.
- 2.31 Changes to the management system need to secure improvements in the system's overall efficiency.

### **Inequities**

- 2.32 Inequities arise from inconsistencies within and between the FSA and FRFA.
- 2.33 For example, inequities arise:
- between the recovery of firefighting costs from different classes of landowner (for example, foresters and orchardists)
  - for communities that must supply volunteer firefighting brigades when other communities of an equal size are allocated full-time paid firefighter brigades (for example, Masterton has a full-time paid service, but Blenheim (which is 15 percent larger) has a volunteer service supplied by locals).
- 2.34 The inequities between the two Acts relate to funding and service coverage.

### *Funding*

- 2.35 Funding inequities arise because:
- each system is funded differently
  - complex and largely unrecognised financial transfers occur between the two systems.
- 2.36 The main funding problems are:
- a lack of equity between people and organisations that are fully insured and make a full contribution and those that:
    - are underinsured and make only a partial contribution
    - are uninsured and not liable for a contribution
    - rely on self-insurance and avoid making a contribution
    - avoid compliance through offshore insurance arrangements

- a lack of equity for levy payers overall, because they fund services unrelated to the fire risk against which they have insured
- a lack of transparency about who is paying for the fire service because it is associated only with insurance bills
- dissatisfaction within the insurance industry at its enforced ‘tax’ collection role to pay for a service owned by the Crown
- a lack of incentives for fire safety measures to be adopted by property owners
- a relatively narrow funding base that is susceptible to erosion in some sectors, particularly as a result of new kinds of insurance policy.

### *Coverage*

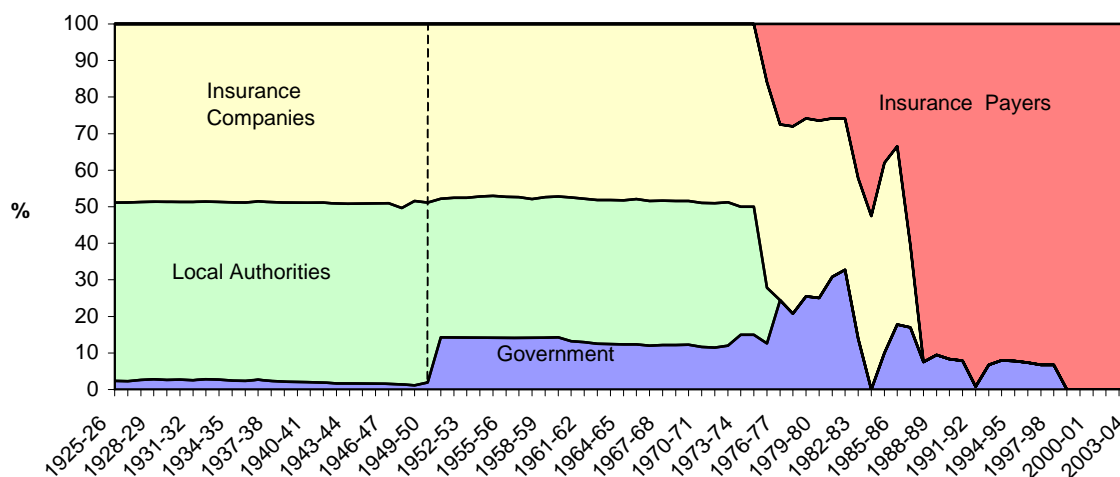
- 2.37 Coverage inequities for non-fire emergencies arise because of the different mandates in the urban and rural systems. Because urban brigades are oriented to the urban fire districts for which they are accountable, their services may not be equally available to rural areas. In some areas, for example, the West Coast of the South Island, urban services’ ability to provide highway coverage of motor vehicle accidents is limited. Burgeoning tourist numbers are exacerbating this problem in some areas.
- 2.38 A widespread perception exists in rural communities that for the money they pay in fire service levies they receive inferior services compared with their urban counterparts, both in terms of timeliness and adequacy. This feeling of an unfair financial burden is accentuated by the additional fire suppression charges rural residents face through rates and special charges to help pay for rural fire costs. Rural employers also have to carry the personnel costs of putting out fires using local volunteer labour (as do employers in small communities that are part of the urban fire system).
- 2.39 Despite these differences it is not clear that rural residents pay too much for the services they receive. Initial estimates by officials suggest if there were no flow of ‘urban system’ levy money into the rural system, residents in remote areas would have to pay more.
- 2.40 In looking to the future, it is difficult to see how funding inequities can be significantly resolved while different services are provided under different management structures, and if there is no single and consistent approach to how the services are paid for.

### 3 How we pay for our fire services

#### Fire service funding in New Zealand: The historical background

- 3.1 Insurance companies formed the earliest fire brigades in colonial New Zealand. Their motivation was to limit their exposure to the losses suffered by clients. These private fire brigades were soon taken over because communities wanted to protect themselves against the potentially catastrophic effects of fires. Local authorities began funding fire services, and funding from central government followed.
- 3.2 Figure 3.1 shows the broad changes in funding sources for New Zealand’s urban fire services. In 1976 the New Zealand Fire Service took over from the fire services funded by local authorities. By 1998 the Government had progressively removed itself from any direct funding role and the responsibility for funding transferred to insurance policy holders.

**Figure 3.1 Income sources for urban fire services (1925–2004)**



Note: Before 1950 data was collated only for fire boards. The data does not include expenditure for fire brigades under the control of territorial authorities. This has the effect of overstating the Government’s pre-1950 contribution.

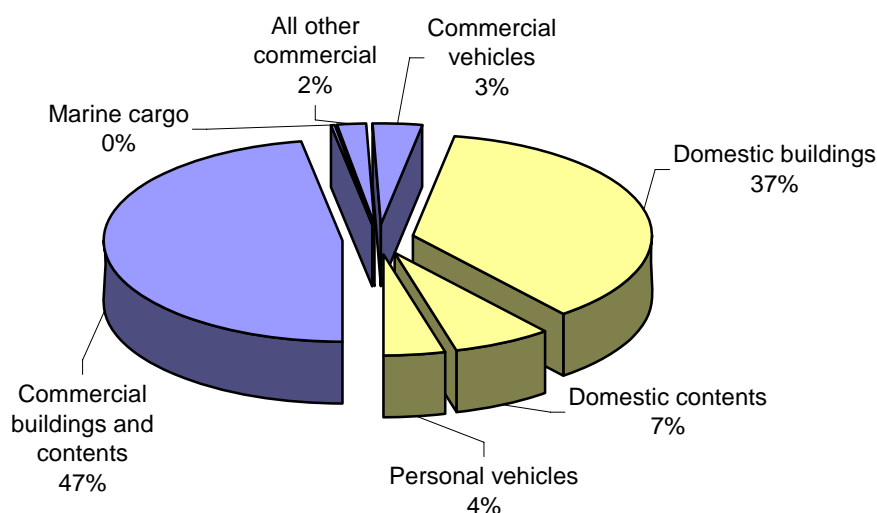
#### The Fire Service levy

- 3.3 The Fire Service levy is based on property insurance values and applies to almost all property covered against fire risk. Regulations set the amount to be paid on the insured value. Presently the rate is 7.3 cents for each \$100 of insured value. There are limits on the levy rate, which are:
- for commercial property (buildings and building contents), to the property’s indemnity value
  - for private dwellings, to a value capped at \$100,000 (that is, a maximum annual levy of \$73)

- for personal contents, to a value capped at \$20,000 (that is, a maximum annual levy of \$14.60)
- for insured motor vehicles of less than 3.5 tonnes, to an annual flat fee of \$5.84 (motor vehicle insurance limited to third party cover does not attract a levy).

3.4 Figure 3.2 shows the sources of Fire Service levy payments in the 2004/05 financial year. The commercial sector paid 53 percent of levies and private households paid 47 percent.

**Figure 3.2 Sources of urban Fire Service levy (2004/05)**



3.5 The underlying value of insured residential property on which levies are paid (\$124 billion) represents about 37 percent of the present total levied base of \$341 billion. It also suggests that around 95 percent of private dwellings are insured.<sup>1</sup> The available statistics do not allow this assessment to be made for the commercial sector. However, we know that many building owners choose either not to insure or to insure only to the value of their highest value buildings.<sup>2</sup>

### **The importance of building contents in the current base**

3.6 Two kinds of commercial property—real property (land and buildings) and non-building commercial property—are levied. ‘Non-building commercial property’ means the contents of commercial buildings, and industrial plant and equipment.

3.7 The percentages in figure 3.2 reveal an important difference in how much each kind of property contributes. More levies are paid on non-building commercial property than on the buildings themselves. These insured contents contribute at least 30 percent of the total levied base.

<sup>1</sup> By comparing the Fire Service levy take from residential properties with the total value of all residential property in New Zealand, we estimate that around 95 percent of such properties are insured. This result is consistent with previous surveys carried out by the Earthquake Commission (EQC). The high proportion is understandable—mortgage lenders require properties to be insured, and property owners without mortgages are usually highly motivated to protect their major assets.

<sup>2</sup> Such policies are known as ‘first loss’ policies. These policies are a legitimate form of insurance cover for building owners, but reduce the number of buildings contributing to fire service levies. This is one of the long-acknowledged equity problems with the insurance-based levy system.

- 3.8 The total levied value of commercial buildings is no more than \$60 billion, while the total levied value of the commercial contents, plant and equipment is at least \$100 billion. Building contents are not only a large part of the funding base; they are also a source of fire risk. Faulty machinery and equipment, for example, can cause fires.
- 3.9 Note that the levy is calculated only on insured value. The proportions of levy paid by each sector do not relate directly to risk or to patterns of incidents attended by the NZFS. For example, while about 18 percent of NZFS emergency response time is spent attending motor vehicle incidents, motor vehicles contribute less than 8 percent of Fire Service levies.
- 3.10 As well as the Fire Service levy, the FSA allows the New Zealand Fire Service Commission to charge for non-firefighting services and activities. These charges have not been a significant income source for the Commission.
- 3.11 As noted above, the levy rate is set in regulation. This enables the government to determine the amount of money that is available to the Commission, by either increasing or decreasing the rate.

### **Funding rural services**

- 3.12 Rural fire services are funded from a wider variety of sources than urban services, including:
- local authority rates
  - central government (through the Department of Conservation and the New Zealand Defence Force)
  - recovery of firefighting costs from those who cause fires
  - the Fire Service levy, which is used to meet claims on the Rural Fire Fighting Fund and the costs of the NRFA
  - forestry company contributions to fire authorities they belong to
  - private forest owners and industrial brigades that provide independent services.
- 3.13 Urban fire services contribute through their 'first hour' understanding with fire authorities (where the NZFS responds to an incident and does not charge fire authorities for the first hour of service provided).



## 4 Issues with existing funding

### Factors causing funding inequities

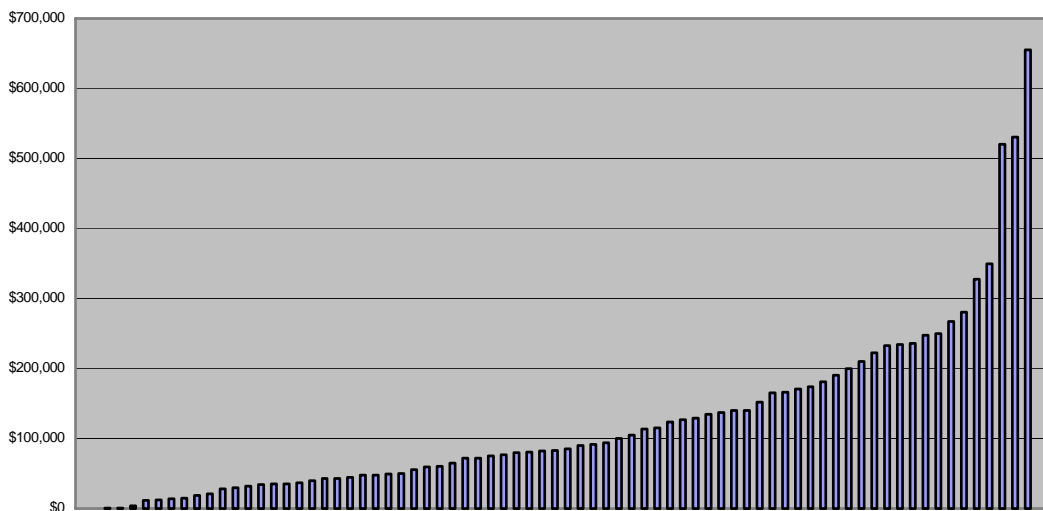
4.1 In this chapter we discuss factors that cause inequities in the funding of our fire services:

- two separate management systems
- non-insurance
- differences in contributions from Fire Service levy payers
- increasing numbers of incidents attended by fire services that have little to do with fire insurance.

### Two separate management systems

4.2 The existence of separate urban and rural fire management systems means that different services are offered, and they are funded on different bases. While the NZFS delivers services to broadly consistent standards, this is much more difficult for the 86 rural fire authorities. They operate in widely diverse environments, with varying levels of risks, and have different levels of resources available. Figure 4.1 shows the annual operating budgets allocated to rural fire management by territorial authorities.<sup>3</sup>

**Figure 4.1: Territorial authority expenditure on rural fire**



Note: Each bar represents one territorial authority.

4.3 Note the large variation in spending on rural fire. Total spending by the 26 lowest-spending authorities amounts to little more than spending by the fire authority that spends the most.

4.4 People living in rural areas fund urban fire services through levies on property insurance, and may believe they are paying for a service that does not benefit

<sup>3</sup> From a departmental survey of territorial authorities in late 2004. All territorial authorities responded to this survey.

them. However, as noted in chapter 10, urban services do respond to rural emergencies and subsidise rural services through the ‘first hour’ arrangement. We cannot accurately work out which service gets the net funding benefit.

- 4.5 We are likely to achieve greater equity only under a model based on single service delivery and funding—one important reason for proposing a national fire and rescue service.

### **Non-insurance**

- 4.6 Non-insurance (not insuring property) results in people not paying a Fire Service levy because their property is not insured. We call this the ‘free rider’ problem. It means that levy payers must pay more than if everyone were insured.
- 4.7 In New Zealand the ‘free rider’ problem exists mainly in the commercial sector. Usually only large commercial property owners use ‘non-insurance’ as a risk strategy. For example, if a business owns 500 rental properties, paying for losses may be cheaper than insurance. But we do not know the extent of non-insurance by commercial owners—Fire Service levy returns are confidential.
- 4.8 Some government organisations choose not to insure their assets, for example, state houses.

### **Different contributions from Fire Service levy payers**

- 4.9 Some property owners pay lower Fire Service levies than others even though they own similar numbers of properties or property of similar value. This difference arises from:
- technical issues about the meaning of ‘indemnity value’
  - ‘first loss’ insurance policies
- 4.10 Both factors in 4.9 mean that owners pay levies at lower rates than if they had insured each of their buildings for full replacement value.

### **Attendance at non-fire incidents**

- 4.11 Fire services now attend a range of non-fire incidents, such as helping at floods and storms, or attending hazardous substance spills. Because of this, people may consider that funding fire services based on a fire insurance levy is unfair. For example, insured building owners may wonder why a fire insurance levy on their buildings should help pay for road accident assistance by fire services

# Appendix 1: Terms of reference

In April 2003 local and central government came to a consensus that a number of issues around the organisation and funding of fire services needed to be addressed. They agreed that a collaborative approach to fire management and funding was to be preferred. An officials group was formed, comprising representatives from the Department of Internal Affairs (as lead agency), the Department of Prime Minister and Cabinet, The Treasury, the Ministry of Civil Defence and Emergency Management, Local Government New Zealand and the New Zealand Fire Service Commission (NZFS Commission). In December 2003 Ministers agreed to the group's recommendations about the framework for managing fire services.

The recommendations were that:

- comprehensive new fire and rescue legislation should:
  - replace the Fire Service Act 1975 (FSA) and the Forest and Rural Fires Act 1977 (FRFA)
  - be developed by the Department of Internal Affairs in consultation with Local Government New Zealand, the NZFS Commission, and government agencies
- any new fire legislation should extend the mandate for firefighters to carry out the general rescue work they currently perform
- the officials group should continue to work with local government to develop a property-based funding system (and resolve collection problems), so funding provisions would be ready at the same time as other legislative changes.

