

INTERNAL AFFAIRS

Te Tari Taiwhenua

Fire Services Review: Discussion Document

New Zealand Government

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This document is available on the website: www.dia.govt.nz/fireservicesreview.

Foreword

Most of us know someone whose life has been touched by fire services. It may have been through a fire but it could also have been through a car accident, a medical emergency or a search and rescue. All of us rely on fire services being there for us when we need them. We all have images of fire crews pulling people out of buildings after the devastating Christchurch earthquake in 2011, which claimed 185 lives. We also recall when in 2010 the fire services joined with other rescue services at Pike River, where 29 miners lost their lives.



Like other emergency services, our fire services are changing so that we are equipped and able to pull together better when big events like these occur. Their role is no longer just to put out fires – there are many other functions they perform, from vehicle accident extrications through to urban search and rescue operations. The fire services also face a range of fires – from forest and other rural fires to fires at homes and commercial premises.

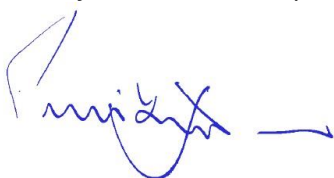
The Fire Review Panel, headed by former Minister Paul Swain, paved the way for a change to fire services in this country. Being able to have honest and open dialogue about fire services would not have been possible without the Panel's work and report. I would like to thank them for their commitment. We are now in a strong position to talk about what type of fire services we need and how can we best support and fund the fire services to meet those needs, given the risks that they face.

The type of fire service I want is one that is fit for purpose, not just this year but in 10 years' time and beyond. We need our fire services to be flexible, modern and efficient. We need services that work well, are well-funded and where our workforce and volunteers feel valued and supported. Over 80 per cent of our firefighters are volunteers and we need to ensure that they are as valued and commended for their contributions as our paid staff. We need consistent service delivery and the right funding model to provide greater accountability. This document asks, what is the best way to deliver this?

This Government is committed to a coherent and well-functioning structure that people agree will work. Ensuring that the voices of the Rural Fire Authorities and the volunteer brigades are heard is an important part of this. I want to find out the best way to achieve that, which is why I want to hear your views.

I would like to hear your thoughts and views on what support and funding you think is needed to improve our fire services, what you think is the right accountability and whether we should continue to devolve local service delivery and funding. I am personally committed to the consultation that starts with the release of this discussion document. I will go and talk with some of the stakeholders in the sector about the options on the table to find out what they want.

Please join me in this important conversation.



Peter Dunne
Minister for Internal Affairs

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Introduction

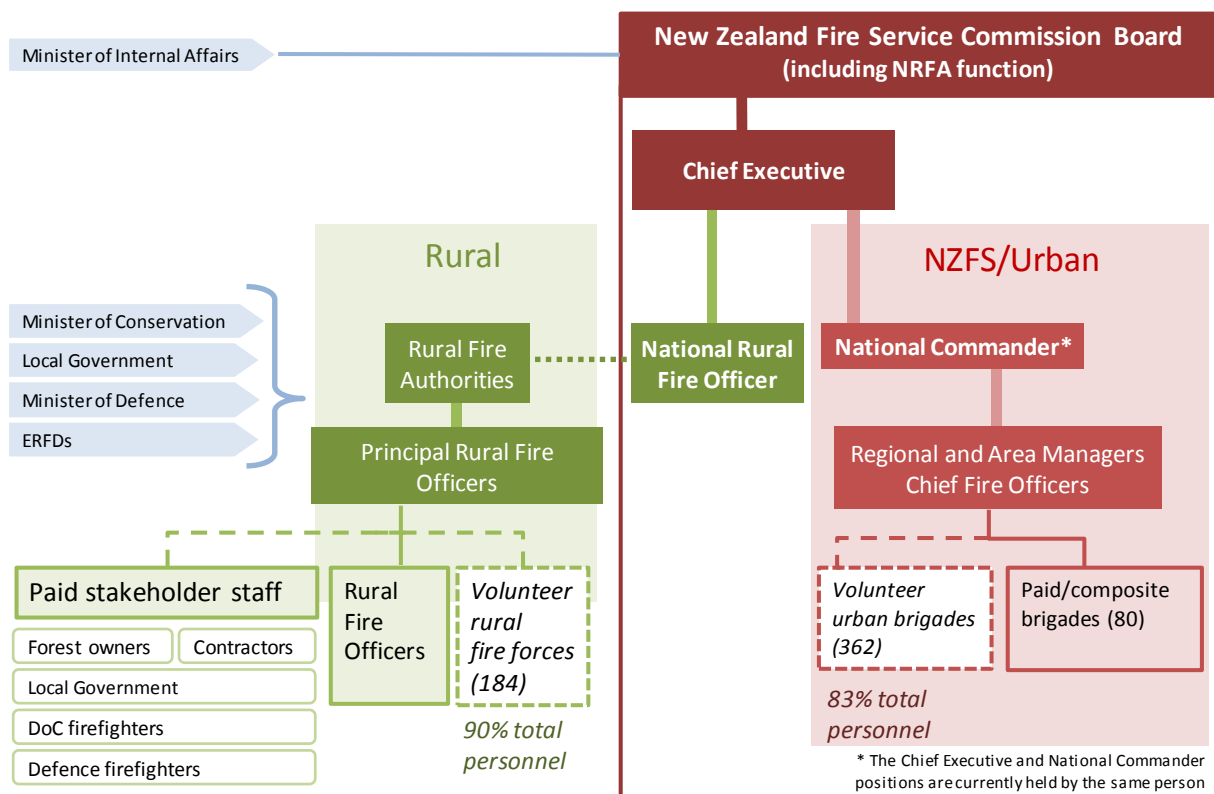
What are fire services?

Fire services in New Zealand include:

- services that operate in rural communities whose prime focus is managing vegetation fire risks, such as Rural Fire Authorities, the Department of Conservation, forest companies and Volunteer Rural Fire Forces;
- services that operate in urban communities and rural towns, such as New Zealand Fire Service (NZFS) career and volunteer brigades; and
- privately-funded services that operate on behalf of private business owners (industrial brigades), such as airports and large commercial operations.

There are differences in the way these various fire services and their workforces operate on the ground, as well as how they are structured, legislated, mandated, governed and funded. Figure 1 below shows the current structure of the urban and rural fire services in New Zealand. The diagram does not show industrial brigades.

Figure 1: Current structure of fire services in New Zealand



The New Zealand Fire Service Commission (the Commission) is the Crown entity responsible for coordination of fire safety throughout New Zealand. The board that governs the Crown entity is also known as the Commission. The NZFS is the operational arm of the Commission, which provides fire services through the volunteer and career brigades based in urban communities and rural towns, and administrative support (through national headquarters and regional offices). The National Rural Fire Authority (NRFA) is the part of the Commission that has the role of coordinating and promoting rural fire control matters. In this Discussion Document, when talking about the Commission, we are referring to the organisation rather than the board members. Definitions of these and other terms can be found in *Appendix I: Glossary*.

This Review – Response to the Independent Fire Review Panel and Other Matters

In 2012, the Government set up an independent Fire Review Panel (the Panel) to provide advice on New Zealand's fire services. The Panel issued its report in late 2012 (Swain Report). This Discussion Document is a response to the Swain Report recommendations. After consulting with government departments, emergency services agencies and workforce representatives about the recommendations, the Government made some initial decisions in September 2013 (see the Cabinet paper at www.dia.govt.nz/fireservicesreview).

Since then, Ministers have widened the scope of the response to build on the work of the Panel and to consider other matters that were outside the Panel's terms of reference. These other matters include the structure and funding of rural fire services, urban and rural workforce engagement issues and modernising the fire services' legislation. These other matters arose because the Government considered that to get fire services that are fit for purpose for the next 10 to 15 years, the fire services need to change.

After Ministers widened the scope of the response, the Department of Internal Affairs (the Department), the NZFS and the NRFA started to discuss the Government response with stakeholders. These conversations helped the review team to prepare this Discussion Document, so that it could present practical solutions. A list of stakeholders the review has talked with is included in *Appendix A: List of stakeholders met*.

Some of the Swain Report recommendations were about how the Commission operates, which the Commission has started to address. The background paper on *Summary of Swain Report recommendations* at www.dia.govt.nz/fireservicesreview summarises the progress that has been made towards putting some of the recommendations into action.

Why give feedback?

Given how important fire services are to the safety and strength of New Zealand, it is important that the wide range of people impacted by, or involved in, fire services have their say about the future of the sector.

These include the public, firefighters, members of rural communities, workforce representatives, community members and representatives, businesses, forest, farm and land owners and their representatives, people who pay fire levies or insurance, local authorities, and fire and emergency service providers.

If you have a view about this Government response – whether it is about the problems facing fire services, the areas for improvement, or the extent to which changes need to be made to provide for the best outcomes – please tell us what you think.

All feedback received by the closing date will be taken into consideration before the Government makes decisions about the required legislative and policy changes later in the year.

The decision-making process is as follows:

- the Minister will consider feedback received and then make recommendations for change;
- if the Government agrees to make change, legislation would be drafted and considered by Cabinet for introduction to Parliament; and
- if legislation comes before Parliament, it would follow the standard process for legislation, including a further opportunity for public submissions through the Select Committee process.

More information

Have your say

You do not have to answer all the questions in this document when making your submission.

Submissions can be emailed to:
fireservicesreview@dia.govt.nz

Submissions can also be posted to:
Fire Services Review
Department of Internal Affairs
PO Box 805
Wellington 6140

Find out more

This document is a summary of information only. If you'd like more information, background papers and more detailed research and analysis is available at www.dia.govt.nz/fireservicesreview

<p>The closing date for submissions is 10 July 2015</p>

What will happen to your submission

The Department may publish the submissions it receives and provide a summary of them on its website www.dia.govt.nz. This would include your name or the name of your group but not your contact details.




Submissions may be subject to a request to the Department under the Official Information Act 1982. Personal details can be withheld under this Act, including names and addresses. If you or your group do not want any information contained in your submission to be released, you need to make this clear in the submission and explain why. For example, you might want some information to remain confidential because it is commercially sensitive or personal. The Department will take your request into account.

The Privacy Act 1993 governs how the Department collects, holds, uses and discloses personal information about submitters and their applications. Submitters have the right to access and correct personal information.

When the review is completed, all documents (including submissions) will be kept by the Department. An electronic archive of this material may be available on the Department's main website (www.dia.govt.nz) for a period after the end of the review.

What do the symbols mean?

Throughout the document, areas are marked where:

	There is a question for you to consider
	There is evidence to support a statement made in the Discussion Document
	There is an expression of opinion from one of the many people and groups who have an interest in the fire services

What should our fire services look like?

Our fire services should serve our communities

What would effective and efficient fire services look like? How would they serve New Zealanders in a way that meets our needs now and 10 to 15 years into the future? We share the same vision for fire services as the current Commission's Vision 2020 (*see Appendix B: Vision 2020*). The Government considers modern, fit for purpose fire services to:

- be flexible and adaptable to the changing expectations of local communities, government, and society;
- be coordinated with strong leadership and have a good fit with other emergency services;
- be able to provide a consistent 4Rs¹ service for fires and a response service for non-fire incidents to support other emergency services where appropriate for communities' needs and risks; and
- be efficient and able to become more so over time.

We start from the vision that New Zealand needs flexible, coordinated fire services that consistently match needs and risks and have strong leadership. If we achieve this vision, we should see:

- improved health and safety of firefighters;
- reduced volunteer shortages and pressures on volunteer firefighters;
- sufficient workforce and management capability to provide a good service to the community;
- clear responsibilities and accountabilities, so that those in the fire services know their place in the system and the community knows what to expect from the fire services;
- fire services that effectively protect life and property from harm; and
- efficient fire services providing an effective service at the least cost required.

¹ The Ministry of Civil Defence & Emergency Management has a good description of the 4Rs:

- **reduction:** Identifying and analysing long-term risks to human life and property from hazards; taking steps to eliminate these risks if practicable, and, if not, reducing the magnitude of their impact and the likelihood of their occurring.
- **readiness:** Developing operational systems and capabilities before a civil defence emergency happens; including self-help and response programmes for the general public, and specific programmes for emergency services, lifeline utilities and other agencies.
- **response:** Actions taken immediately before, during or directly after a civil defence emergency to save lives and protect property, and to help communities recover.
- **recovery:** The coordinated efforts and processes to bring about the immediate, medium-term and long-term holistic regeneration of a community following a civil defence emergency. Sourced from the Ministry of Civil Defence & Emergency Management's website, www.civildefence.govt.nz.

Firefighters enjoy the contribution they make to their community

Firefighters enjoy the contribution they make to their community. For example, rural volunteers generally like being members of their Volunteer Rural Fire Force because it is helpful and social. Rural volunteers often have a service ethos, with a desire to help and contribute to the community. They also enjoy being part of a team and the camaraderie. The sense of personal satisfaction from seeing a job well done can also be important: “It’s the satisfaction of going to a place and ‘saving the day for them’. After a fire people are grateful. We don’t have to be a hero – we have that drummed into us.”²

Similarly, NZFS volunteers tend to enjoy being part of a trusted profession, and they like the appreciation the community has for volunteers. NZFS volunteers also enjoy their brigade’s social atmosphere, and they welcome the opportunities for development.³



1. Are there particular areas of the fire services that are working well that you would like to tell the review about?

We need our fire services to work well because the economy, private property, and lives are at risk

The Swain Report considered that vegetation fire may be a greater risk to the New Zealand economy than the loss of any particular industrial or processing plant, given the time required to replace a forest after a wildfire and the financial consequences.⁴ The primary sector (at “farm gate”) accounts for about 7.5 per cent of real Gross Domestic Product (GDP) and contributes about 50 per cent of New Zealand’s total export earnings.⁵ Forestry and logging make up around 1.1 per cent of GDP. For the year ended June 2014, the value of exports of forestry products was \$5.1 billion, 10 per cent of New Zealand’s total goods exports.⁶

Not only is productive land important, but on publicly-owned conservation lands vegetation fire risks the loss of significant indigenous biodiversity, historic heritage and recreational opportunity.

² Alkema, A., Murray, N., McDonald, H. (2013). *What motivates people in small rural communities to become Volunteer Rural Fire Fighters?* (pp 28-29). Wellington: Heathrose Research Limited. Retrieved from www.fire.org.nz.

³ New Zealand Fire Service Commission. (2012). *2011 Volunteer Sustainability Report* (p9-10). Wellington: New Zealand Fire Service Commission.

⁴ Adamson, D., Drummond, P., Swain, P., Wood, J. (2012). *Report of the Fire Review Panel* (p61). Wellington: Department of Internal Affairs. Retrieved from www.dia.govt.nz/fireservicesreview.

⁵ The Treasury. (2015). *New Zealand Economic and Financial Overview 2015* (p17). Wellington: The Treasury. Retrieved from www.treasury.govt.nz.

⁶ The Treasury. (2015). *New Zealand Economic and Financial Overview 2015* (p18). Wellington: The Treasury. Retrieved from www.treasury.govt.nz.

Fire suppression costs are only a small proportion of the total economic costs of rural fire. For example, between 2002 and 2007, the total economic cost of wildfires in New Zealand was approximately \$586.2 million. The after-fire costs were \$312.7 million (53.3 per cent) of the total costs. Long-term costs mainly consist of the potential value of timber lost through forest wildfires, and the impact on related industries, such as harvesting, transport and wood processing. Suppression costs for the five years calculated were approximately \$46 million.⁷

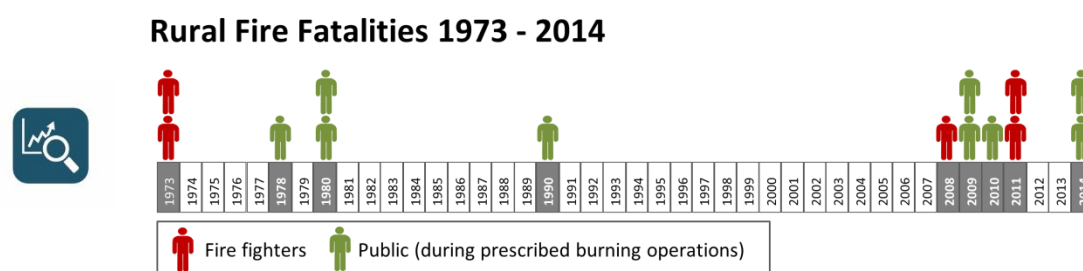
Even in one area, the loss can be great. In the Poutu Peninsula, Kaipara between 2004/05 and 2012/13, three Department of Conservation reserves were destroyed and \$24.86 million of exotic timber plantations were lost.⁸

While the rural fire service focuses on vegetation and forest fire, NZFS (career and volunteer) currently attends a significant number of vegetation fires.⁹ All NZFS firefighters are trained in the basic rural firefighting techniques and safety. NZFS brigades are well-dispersed geographically to provide a first response, including in rural fire districts. Only a small percentage of vegetation fires advance into longer duration incidents which require more specialised resources. Seasonal firefighting teams and incident management teams can be moved around the country where needed, and are managed and coordinated nationally.

Fire also poses a risk to life. There is both a social and economic cost when lives are lost. The Ministry of Transport uses a value known as the value of statistical life to express the value of a life lost or a life saved. It includes the present value of future income, and also the enjoyment of life, or the pain and suffering of a life lost.¹⁰

The figure below shows the number of fatalities associated with rural fire from 1973 to 2014.

Figure 2: Rural fire fatalities 1973 - 2014



Source: National Rural Fire Authority

The figure below shows the rate of fatalities in avoidable residential structure fires from 2009 to 2014. Avoidable fatalities exclude fires that are maliciously set or suicides. This graph shows the rate for all New Zealand.

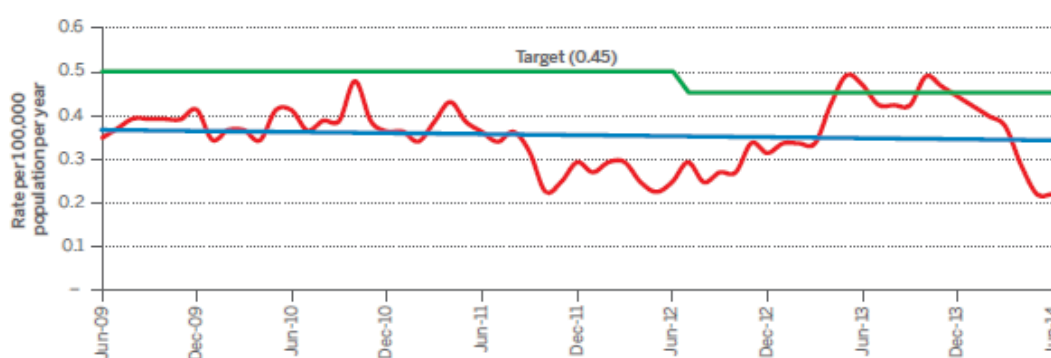
⁷ Kaliyati, W., Sanderson, K., Wu, J. (2009). *The Economic Cost of Wildfires* (pp4, 26). Wellington: Business and Economic Research Ltd (BERL Economics). Retrieved from www.fire.org.nz.

⁸ National Rural Fire Authority statistics.

⁹ According to New Zealand Fire Service Commission statistics, in 2013/14, NZFS brigades attended 84 per cent of vegetation fires, Rural Fire Forces attended 3 per cent, and NZFS brigades and Rural Fire Forces together attended 13 per cent of vegetation fires.

¹⁰ The value of statistical life (VOSL) was established at \$2 million in 1991 and is regularly indexed to the average hourly earnings to express the value in current dollars. The updated VOSL is \$3.95 million per fatality, at June 2014 prices. From Ministry of Transport. (2014). *Social cost of road crashes and injuries 2014 update*. Ministry of Transport. Retrieved from www.transport.govt.nz.

Figure 3: Annual avoidable residential structure fire fatality rate per 100,000 population



Source: New Zealand Fire Service Commission¹¹

We need to support and properly resource both our volunteer and career firefighters

We need to support firefighters to make sure they can continue to contribute to their communities.

The contribution of all volunteers to the fire services is significant. For example, in 2009, a report investigated the economic value of NZFS volunteer firefighters in small remote communities. The conservative estimate of that value was \$79 million.¹²

The contribution of career firefighters is also significant. The availability of career firefighters on duty is a significant resource that can be used to make fire services more effective, either in helping with reduction, or in supporting other emergency services by responding to non-fire incidents.

Despite reviews our fire services have not changed in a while

New Zealand's fire services have not fundamentally changed since the 1940s. Following the large Ballantyne's fire in 1947, all urban fire brigades were brought under the Fire Services Act 1949. A national urban fire service was established on 1 April 1976 under the New Zealand Fire Service Commission, but the largely independent volunteer brigade structure was retained. In the rural sector, the Rural Fire Authorities were largely set up by the Forest and Rural Fire Act 1947 following the disastrous 1946 fire season. The last significant change in rural fire services occurred in the late 1970s, with the passing of the Forest and Rural Fires Act 1977.

¹¹ New Zealand Fire Service Commission. (2014). *Annual Report for year ended 30 June 2014* (p19). Wellington: New Zealand Fire Service Commission. Retrieved from www.fire.org.nz. The green line is the target; the red line is the actual fatality rate; the blue line is the trendline.

¹² Rae, A., Snively, S., Zechner, A. (2009). *Describing the value of the contribution from the volunteer fire brigade*. Wellington: PricewaterhouseCoopers. Retrieved from www.fire.org.nz.

Some change has occurred in the rural fire sector, with the voluntary merger of rural fire districts into Enlarged Rural Fire Districts (ERFDs) from the mid-1990s. The National Rural Fire Authority was established in 1991 to provide national leadership and coordination in the rural sector.

Problems and their consequences

Our firefighters and fire services are coming under increasing pressure for a number of reasons. This Discussion Document summarises what the review considers to be the three significant problems, and shows the consequences of those problems below.

The first problem is that **expectations have changed and will continue to change**. The fire services have adapted to changing community expectations and needs by responding to non-fire emergencies like swift water rescues, storm damage, medical emergencies, and motor vehicle extrications. These services are now part of the fire services. There are also more international responses, such as the NZFS helping with international Urban Search and Rescue (USAR) responses. The rural fire sector also provides international responses to wildfires in Australia, Canada and the United States of America. The consequences of these changed expectations are increasing commitments in terms of resource, training and ongoing support for non-fire services and international support.

Societal expectations have also changed since the 1970s when the fire services legislation was passed. For example, there is new legislation on resource management, civil defence, local government, employment, and health and safety accountability and responsibility. There are also more general expectations of a professional response from all fire services. These expectations put the fire services under increasing financial pressure, and old legislation makes it difficult for the fire services to change to meet these expectations.

The second problem is that **there is a lack of coordination and variable leadership**. Some consequences of this are the lack of coordinated support for, and focus on, all volunteer firefighters. There can also be poor coordination between Rural Fire Authorities and NZFS brigades. There is a lack of national oversight of rural fire governance and a limited ability of the NRFA to respond when a Rural Fire Authority or ERFD is falling below expected standards. There are also not enough national information systems and support for fire services. For example, there is no national incident reporting system for rural fires. This means that communities receive very different services, depending on whether they live in an urban fire district or a rural fire district and sometimes these differences do not make a lot of sense.

The final problem is that **investment is inconsistent with community needs**. Some consequences are the underinvestment in people, including training, equipment and uniforms in the rural sector, and support in the urban and rural volunteer sector. There is underinvestment in rural fire, particularly around a nationally coordinated fire reduction programme, and also underinvestment in capital expenditure.

The context for the fire services also places pressure on fire services as the following examples show:

- the dry conditions experienced recently in New Zealand have led to many sizeable vegetation fires in the 2014/15 summer¹³ and this could worsen if climate changes continue;¹⁴
- changing demographics, including people moving from rural to urban areas to live, or people commuting from rural to urban areas for work, put pressure on volunteers and brigades; and
- there is likely to be increasing demand to attend medical calls supporting ambulance services. This will continue as the population ages, and as health trends change.

More information and analysis about the problems and their consequences can be found in *Appendix C: Problems and consequences*. The Discussion Document uses data and quotes to support what are considered the problems and consequences. The review acknowledges that in some cases, there is not as much data as would be useful. One of the concerns the review has is the lack of rural data, which makes it difficult to know the size and extent of problems and consequences. However, the review used the available data from a number of sources, including conversations with stakeholders to help us form a view of the problem and consequences. Our assessment is that the available evidence points towards substantive problems that need to be addressed.



2. Do you agree that these are the problems and consequences that the review needs to address? Are there any other consequences that you would like to add?

¹³ The early data from the National Rural Fire Authority on the 2014/15 fire season (summer) indicates that the majority of New Zealand has produced fire danger conditions that have been the highest of the past 12 years. The number of larger vegetation fire incidents as at February 2015 was up by 30 per cent on the average of the last five years.

¹⁴ Days with 'very high' and 'extreme' fire danger index are projected to increase in some locations by up to 400 per cent by 2040 and 700 per cent by 2090. See Meyer, I. A., Pachauri, R.K. (Eds.). (2014). *Climate Change 2014: Synthesis Report*. Geneva: Intergovernmental Panel on Climate Change (IPCC). Retrieved from www.ipcc.ch. See also New Zealand National Climate Centre. (undated). *Climate Change IPCC Fifth Assessment Report New Zealand findings* (leaflet). Retrieved from www.niwa.co.nz.

Options to support our firefighters to serve our communities better

The Government wants fire services that support firefighters to be more effective in their community. We think some changes to the fire services are required to ensure they are fit for purpose now and for the future, and meet community needs and risk. The review has used the Swain Report and recent conversations with stakeholders to help inform the option development. Options are proposed here for you to think about and comment on. The review would like to know whether you think any of these options would help us have better performing fire services, or whether you have other suggestions.

Options for improved governance and support

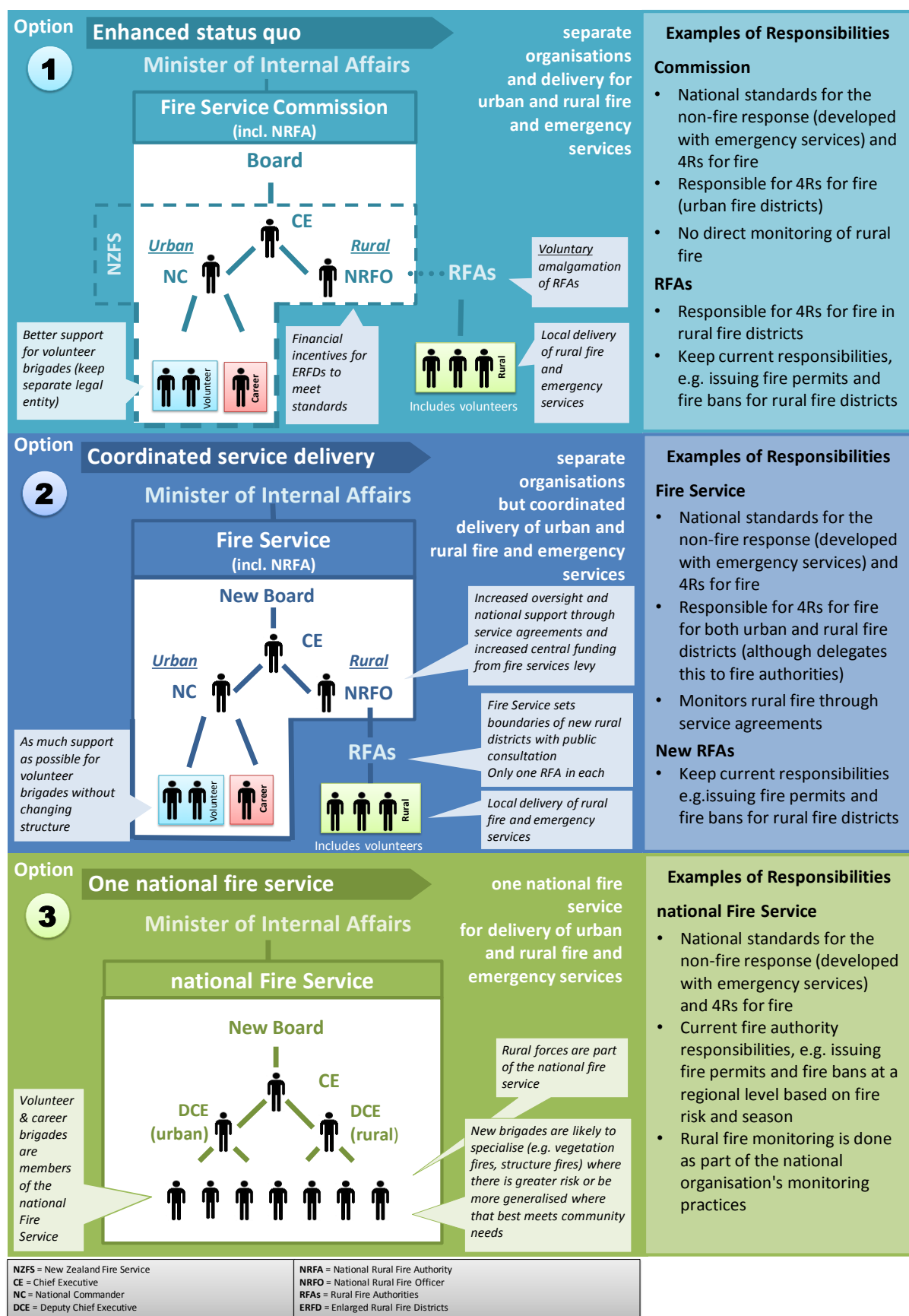
There are three options: enhanced status quo, coordinated service delivery, and one national fire service. Each option is presented as a separate, fixed package so it can be compared – but there are many different ways the options could be put together. Some parts of the options could be easily applied to other options, particularly if no legislative change is required. For example, the level of support provided by the Commission to NZFS volunteers, or by the Commission to Rural Fire Authorities, can be altered without legislative change.

You might prefer some parts of the options over others, or want to combine parts of one option with another. The review wants to hear from you, not just about your preferred option, but how any of the options could be made better.

Diagrams that explain the options can be found in Figure 4, at *Appendix D: Draft governance structure in Option 2* and at *Appendix E: Income sources for rural fire*. There is also more detail in the background paper on *Rural fire* at www.dia.govt.nz/fireservicesreview.

This Discussion Document sets out options for funding the Commission (or its replacement organisation under Options 2 or 3) in the section *What might help with the Commission's fire service levy?* on page 34. Either of the options for funding the Commission can work with any of the options for improved governance and support.

Figure 4: How the governance and support options could operate



Option 1 – Enhanced status quo (response to Swain Report)

The enhanced status quo option focuses on the Government's response to the Swain Report. The option includes the Swain recommendations accepted by the Commission and agreed or changed by Cabinet in September 2013.¹⁵

These include the development of Vision 2020, the Commission's vision and strategy.¹⁶ Another recommendation was the establishment of the Emergency Services' Coordination Group (the Chief Executives' Forum) to provide strategic coordination and leadership.¹⁷ While the Group has started slowly, the Commission is committed to the Group's success. The review recognises these changes are already underway.

This option reflects the Cabinet decisions to:

- put in legislation the importance of volunteers to fire services;
- modernise the governance structure of the Commission; and
- improve the clarity of some roles and responsibilities by giving the Commission the mandate for non-fire response and giving the Commission the power to authorise other agencies, including Rural Fire Authorities, to respond to non-fire incidents (see page 28 for more information).

The mandate for non-fire response reflects the scope of activities that the NZFS is already undertaking in response to community needs. Cabinet agreed that the Commission have this mandate so it can support other emergency services in their work. The mandate would also provide firefighters with legal protection for work that they are currently doing.

If Option 1 is successfully implemented in the way that Cabinet agreed to then...

NZFS volunteers would be better supported. The goal is to attract and support volunteers, and build management capability and leadership. The Commission would continue its emphasis on ensuring a strong and resilient volunteer workforce and brigades. The Commission would be required to actively provide for the continued sustainability of the fire services' volunteer base.

NZFS career firefighters would continue to be supported through their employment relationship with the Commission. For career firefighters there is no real difference between Option 1 and the direction already agreed under Vision 2020. The Commission maintains its commitment to developing a high-quality relationship with career firefighters and lifting investment in their capability. This includes an extensive programme of operational command and control training, as well as further investment in core leadership and management skills.

¹⁵ The Cabinet Minute is EGI Min (13) 20/5. The Cabinet paper can be viewed at www.dia.govt.nz/fireservicesreview.

¹⁶ See the background paper on *Summary of Swain Report recommendations*.

¹⁷ The Group consists of the Chief Executives of the New Zealand Fire Service Commission, the Ministry of Civil Defence & Emergency Management, the Ministry of Health, the Police, St John Ambulance and Wellington Free Ambulance.

Option 1 – Enhanced status quo (continued)

Rural firefighters would have more support from the NRFA and more clarity about their role in non-fire emergencies. There may be better collaboration and support of services. For rural volunteers, the Commission would work with the rural fire sector to promote the sustainability and resilience of this volunteer base.

Firefighters, the community and other emergency service agencies would have a clearer idea of what incidents the NZFS and Rural Fire Authorities would prepare for and attend. Firefighters would feel confident that they are legally protected for their actions when attending non-fire incidents. Firefighters would be clearer about what they need to do in non-fire incidents as the Commission would consolidate, review and amend the national standards and guidelines. The mandate of the Commission would be set out in legislation, and would include the non-fire work the Commission is currently doing. The Commission may authorise other organisations, including Rural Fire Authorities, to prepare for and attend non-fire incidents, based on an assessment of the risks and needs of the community.

The Commission would consider the capability of Rural Fire Authorities to effectively perform any functions before authorising them. The Commission would have guidelines and transparent decision-making processes for authorising Rural Fire Authorities. The Commission may choose to fund other agencies to deliver non-fire services, but the Commission is not required to do so.

The **rural fire sector** would have more support from the NRFA, through better national leadership. Rural Fire Authorities would have more support to meet standards, and would be part of a clear monitoring process by the Commission if they are struggling to meet standards. Rural Fire Authorities and the Commission may share resources to support volunteers where appropriate.

Rural Fire Authorities would be clear how the Commission's grants process works, as the NRFA is reviewing the process to make it more transparent. Those ERFDs that use a governance model approved by the Commission and meet other standards may receive better funding from the Commission. The model for local funding of rural fire as described in *Appendix E: Income sources for rural fire* would continue unchanged.

Emergency services agencies would continue to work together to provide strategic direction and coordination for New Zealand's emergency services sector through the Emergency Services' Coordination Group (Chief Executives' Forum). The Commission would coordinate with other emergency services about the Commission's non-fire response to ensure gaps and overlaps are minimised and to agree any service delivery standards and operational delivery arrangements.

Communities would have a better understanding of what the Commission does and why, as the Commission would be clearer about its decisions. The Commission would also consult on decisions with communities when appropriate.

The **Commission** would have more modern governance provisions. The Commission would have a greater emphasis on rural fire, as the legislation would require the Chief Executive to have a strategic focus on both urban and rural fire sectors. In appointing the Board, the Minister of Internal Affairs would need to have regard to the extent that the Commission requires skills and experience in relation to urban and rural fire services.

Implementation of Option 1

This option would be the easiest to implement, as it requires the least change. Much of this option is already occurring under the change programme happening with Vision 2020. Some changes would require legislative change, such as clarifying the non-fire response mandate and allowing the Commission to authorise other agencies to carry out non-fire response. Any training needed for non-fire response would need to fit in with volunteer availability.

This option would require more systematic collection and analysis of local data to:

- answer questions, such as whether there is consistent coverage of non-fire responses for community need and risk;
- keep track of training requirements and whose training meets current requirements; and
- decide whether equipment matches the requirements of the brigade or force.

Risks with Option 1

The risk with Option 1 is that it does not achieve sufficient change to address all three of the core problems identified in this review.

Some Rural Fire Authorities may not be adequately resourced to provide an appropriate level of service and some volunteers may not be adequately resourced to safely carry out their tasks. To mitigate this risk, the Commission would consider the capability of Rural Fire Authorities to effectively perform any functions before authorising them.

Timeline for Option 1

We have not estimated how much time it would take to implement this option, but as this option has the smallest amount of change, it can be implemented more quickly than the other options. Implementation cannot begin until the legislation has been changed.



3. What do you see as the advantages and disadvantages of Option 1: Enhanced status quo from your perspective?

Option 2 – Coordinated service delivery

This option is about providing coordinated national support to all volunteer firefighters and clearer leadership and governance. This option keeps NZFS volunteer brigades in a similar structure to how they are now and local delivery and funding by Rural Fire Authorities. The new Fire Service would provide the new Rural Fire Authorities with national standards, some funding, and some monitoring.

Currently, the Commission includes the NRFA, and the NZFS is the operational arm of the Commission. In this description of Option 2, the Commission is described as the new Fire Service, to make it clear it is different from the current Commission. We welcome your feedback on the name Fire Service, or other suggestions for a new name. The new Fire Service would continue to be governed by a Board. A draft diagram of how the governance structure could work is attached at *Appendix D: Draft governance structure for Option 2: Coordinated service delivery*.

Option 2 – Coordinated service delivery (continued)

The current Rural Fire Authorities would be consulted on the process that decides the boundaries of the new rural fire districts. Only one new Rural Fire Authority would operate in each rural fire district, and some of the current Rural Fire Authorities would amalgamate.

The new Fire Service would have the legal mandate for non-fire responses as well as the 4Rs for all fires in New Zealand. The current scope of activities would be continued but not extended, as agreed by Cabinet in 2013. The service agreements with each new Rural Fire Authority would set out how the 4Rs for fire and responses to non-fire incidents would be delivered in each community. NZFS brigades and new Rural Fire Authorities would need to coordinate to deliver the 4Rs for fire and responses to non-fire incidents. All mandate decisions would be made based on community needs and risks and would involve consultation with the community, stakeholders, the new Rural Fire Authorities and local brigades. Funding, training and equipment for the non-fire responses would be paid by the new Fire Service to the new Rural Fire Authorities.

Local funding is described in *Appendix E: Income sources for rural fire*. The current local funding model means that the Rural Fire Authority is paid for the response after the fire has occurred. Where the Rural Fire Fighting Fund provides grants to the Rural Fire Authorities, it recovers very little of this funding from the person responsible for the fire. Option 2 proposes pre-funding the Rural Fire Authorities for all of their 4Rs for fire – the funding for this will come from both local and national sources.

A potential model for best practice compliance for rural fire is explained in *Appendix F: Best practice for compliance*. This option proposes a range of penalties depending on the nature of the non-compliant behaviour. These penalties may include action to bill the person responsible for the fire for the cost of suppression.

If Option 2 is successfully implemented then...

As noted above, this is one way the option could work. The options are presented as fixed packages so they can be compared. But there are many different ways the options could be put together.

NZFS volunteers would be better supported. As well as the work undertaken in Option 1, the new Fire Service would consider providing more support, like improved dispute resolution processes and stronger agreements for service with each brigade. The new Fire Service could also consider new or enhanced incentives to support NZFS volunteers and their employers. We want to hear from you about what would make the most difference. Some examples we could consider are greater child care availability for volunteers' dependants, a review of volunteer gratuities, and a possible rebate on the fire service levy for volunteers' employers.

Rural fire volunteers would be better supported and trained. The new Fire Service and new Rural Fire Authorities may agree through new service agreements that the new Fire Service provides support to rural fire volunteers, such as skills and management training, as well as a uniform. The new Rural Fire Authorities would likely have improved resources to support rural fire volunteers, so they can focus on training and responding to incidents. The new Fire Service could also work with rural fire to consider incentives to support rural volunteers and their employers.

Option 2 – Coordinated service delivery (continued)

NZFS career firefighters would continue to be supported through their employment relationship with the new Fire Service. For career firefighters Options 1 and 2 are very similar.

Paid rural firefighters would have better support to do their job. They would have more leadership from their Rural Fire Authority Board and the new Fire Service. They would have more confidence in the health and safety management systems. They would have more clarity about their role and the standards that they are required to meet. Firefighters would feel confident that they are legally protected for their actions when attending non-fire incidents.

Firefighters, the community and other emergency service agencies would have a clearer idea of what incidents the NZFS and Rural Fire Authorities would prepare for and attend. Firefighters would feel confident that they are legally protected for their actions when attending non-fire incidents. Firefighters would be clearer about what they need to do in non-fire incidents as the new Fire Service would consolidate, review and amend the national standards and guidelines. The mandate of the new Fire Service would be set out in legislation, and would include the non-fire work the Commission is currently doing.

The new Fire Service may authorise other organisations, including Rural Fire Authorities, to prepare for and attend non-fire incidents, based on an assessment of the risks and needs of the community. The new Fire Service would fund, equip and train Volunteer Rural Fire Forces to deliver authorised non-fire services where both parties have agreed they would undertake this work. The new Fire Service would have clear guidelines and transparent decision-making processes for authorising Rural Fire Authorities.

In addition, the new Rural Fire Authorities would engage with the community, the new Fire Service and other emergency services on other community needs, how they are being met and whether the new Rural Fire Authority has a role in meeting these needs. The priority for new Rural Fire Authorities would be to provide the fire and non-fire services authorised by the new Fire Service.

Communities would have a better understanding of what the new Fire Service does and why, because the new Fire Service would be more transparent about its decisions. The new Fire Service would consult on decisions with communities about their needs and risks and any service changes. Communities would benefit from the new Rural Fire Authorities providing a more consistent level of service. Communities would benefit from volunteer firefighters continuing to participate in civil defence responses when needed.

Some **Rural Fire Authorities** would amalgamate and the current Rural Fire Authorities and communities would be consulted on the process that decides the boundaries of the new rural fire districts. Only one new Rural Fire Authority would operate in each rural fire district.

Option 2 – Coordinated service delivery (continued)

The **new Rural Fire Authorities** would enter into service agreements with the new Fire Service to receive national funding and equipment for non-fire responses and for local delivery of national programmes. The new Fire Service would provide national services, systems, standards, and guidelines. The new Fire Service would also have an increased ability to monitor, assist and intervene to ensure that standards are met, not only in relation to service delivery, but also in relation to such matters as governance and financial management. The new Rural Fire Authorities would also receive local funding for delivering the 4Rs for fire from local government and landowners.

Local government and the Minister of Conservation would not be Rural Fire Authorities, but would have an important role as stakeholders in the new Rural Fire Authorities, along with forest owners. Rural fire stakeholders would have a role in appointing the Boards of the new Rural Fire Authorities and monitoring the new Rural Fire Authorities. Rural fire stakeholders would also be consulted on the service agreements between the new Rural Fire Authorities and the new Fire Service.

The **Department of Conservation** would agree with the new Fire Service about the resources the Department of Conservation would contribute to the rural fire sector in recognition of the reduction, readiness and response activities for fire on public conservation lands. These agreements would likely last for three years, so there would be stability for the sector. The new Fire Service would give the conservation funding to Rural Fire Authorities through their new service agreements.

The **New Zealand Defence Force (NZDF)** would operate its own defence areas and fire plans. It would consult with the new Rural Fire Authorities. The NZDF may agree with the new Fire Service about the resources the NZDF would contribute to the rural fire sector for fire and non-fire emergencies. These agreements would likely last for three years, so there would be stability for the sector.

Forest owners would continue to operate their own fire forces. New Rural Fire Authorities would need to take account of these fire forces as part of their regional planning. Forest owners would continue to contribute to local rural fire funding.

Farmers would receive a service with an increased emphasis on education and prevention all year round. All rural landowners and agencies would keep responsibility for fire management on their lands, and continue to have direct input into management decisions and strategies at the local and regional level. Farmers may operate their own fire forces as they do now.

Emergency services agencies would continue to work together to provide strategic direction and coordination for New Zealand's emergency services sector through the Emergency Services' Coordination Group (the Chief Executives' Forum), as outlined under Option 1. The new Fire Service would coordinate with other emergency services about the Fire Service's non-fire response to ensure gaps and overlaps are minimised and to agree any service delivery standards and operational delivery arrangements.

The **new Fire Service** would have more modern governance provisions. The Chief Executive of the new Fire Service would be responsible for managing the day-to-day operations of the new Fire Service, and would have any necessary directing powers (rural and urban). The National Commander and the National Rural Fire Officer would have equal status and report to the Chief Executive. In appointing the Board of the new Fire Service, the Minister of Internal Affairs would need to have regard to the extent that the new Fire Service requires skills and experience in relation to urban and rural fire services.

Implementation of Option 2

This option would require significant legislative change to set out the new roles and responsibilities of the new Fire Service and the new Rural Fire Authorities. A transition period would be required, to undertake public consultation on the new rural fire districts and to establish the new Rural Fire Authorities, their Boards and structures. The new Fire Service would need to prepare national standards, guidelines and any changes at head office to support the new work. For example, the new Fire Service would likely need additional staff to assist with the monitoring and support of the new Rural Fire Authorities. The new Rural Fire Authorities would also need time to change and upskill if required.

This option requires greater information to implement correctly. The early development of a national incident reporting system and national risk reduction model might assist the new Fire Service to implement this option.

Risks with Option 2

There is a risk that the current Commission may not have enough skilled and experienced personnel in support and management roles capable of delivering the proposed changes. The new Fire Service would need to carefully plan its implementation programmes, including bringing in external assistance if needed.

There may be challenges to delivering a smooth service during the transition from the current Rural Fire Authorities to the new Rural Fire Authorities. The transition programme should be carefully planned and managed on an agreed basis between the new Fire Service and the local Rural Fire Authorities.

There is a risk that the changes to reporting and monitoring for new Rural Fire Authorities may prove overly complicated and onerous, leading to non-compliance and lack of standardisation. There may be confusion with rural firefighters about the governance structure. This should be managed by clear communication and the development of simple and efficient procedures.

Timeline for Option 2

We have not estimated how much time it would take to implement this option, although it is likely to take longer than Option 1 because it involves more change.



- | | |
|----|---|
| 4. | What do you see as the advantages and disadvantages of Option 2:
Coordinated service delivery from your perspective? |
|----|---|

Option 3 – One national fire service

The one national fire service option would involve creating a new organisation made up of rural fire and the NZFS brigades. Rural and urban volunteers and career staff with the different workforce skills and experience of non-fire, rural fire and structure fire are all necessary and would be needed in the new organisation. The new national Fire Service would need to reflect these different functions at all levels. Other paid rural fire fighters, such as forestry and local authority contractors and workers and Department of Conservation staff would also continue to provide fire services.

All volunteer firefighters would be in a direct relationship with the new national Fire Service. This option removes Rural Fire Authorities and folds NZFS volunteer brigades into the national fire services, so that they are more integrated. The national Fire Service would decide how to structure itself, but there may still be career/paid stations, all-volunteer stations and composite stations (both volunteer and paid firefighters). The new stations would continue to have local identity and be closely connected with their communities.

The national Fire Service would continue to recognise that fire is used as an important part of land management for forest and rural land owners. Many rural functions would need to continue. For example, fire permitting and fire season status would continue, with local or regional decisions based on risk and need. Rural fire reduction and compliance would also continue to be different from what is required in the urban fire environment, although more integrated and complementary with urban fire.

Like Option 2, the new organisation would have the legal mandate for non-fire responses as well as the 4Rs for all fires in New Zealand. The current scope would be continued but not extended, as agreed by Cabinet in 2013. There would be a new compliance and reduction strategy for rural/vegetation fire, and compliance tools which could include fines and penalties. This may include action to bill the person responsible for the fire for the cost of suppression.

Volunteer firefighters would largely receive the same support and incentives that they would in Option 2. The difference in this option is that volunteers would receive the support and incentives through their direct relationship with the new national Fire Service, rather than through the Commission's relationship with independent brigades and with Rural Fire Authorities.

There are different potential ways to structure the new national Fire Service. These are explained in more detail in *Appendix G: Organisational structures*.

If Option 3 is successfully implemented

As noted above, this is one way the option could work. The options are presented as fixed packages so they can be compared. But there are many different ways the options could be put together.

Option 3 – One national fire service (continued)

Volunteers would be better supported by the national Fire Service providing the funding, equipment and support to all volunteers that they need to serve their community needs. The new national Fire Service would be more responsive to assisting brigades/forces in need through modernised dispute resolution methods. The new national Fire Service would have improved resources to support rural fire volunteers, so they can focus on training and responding to incidents. Volunteers, and their employers, might also receive new or enhanced incentives. We want to hear from you about what would make the most difference. Some examples we could consider are greater child care availability for volunteers' dependants, a review of volunteer gratuities, and a possible rebate on the fire service levy for volunteers' employers.

NZFS career firefighters would continue to be supported and would continue to have a direct employment relationship with the new national Fire Service. Option 3 may bring about new potential career pathways and opportunities. While this option would not immediately change the underlying base of career stations, the increased size and complexity of a truly national fire service would broaden the potential scope of roles available to the new national service's employees across both urban and rural services.

Paid rural firefighters would see their place in the new organisation and have a new employment relationship with the national Fire Service. The work of paid rural firefighters and NZFS career firefighters would be considered as equally valuable. Option 3 may also bring new potential career pathways and opportunities. This option could increase the pool of rural fire professionals, allowing for succession planning. Other paid rural firefighters, such as forestry and local authority contractors and workers and Department of Conservation staff will have clear agreements for services with the national Fire Service.

Firefighters, the community and other emergency service agencies would have a clearer idea of what incidents the new national Fire Service would prepare for and attend. Firefighters would feel confident that they are legally protected for their actions when attending non-fire incidents. Firefighters would be clearer about what they need to do in non-fire incidents as the new national Fire Service would have national standards and guidelines. As with Options 1 and 2, the mandate of the national Fire Service would be set out in legislation.

Emergency services agencies would continue to work together to provide strategic direction and coordination for New Zealand's emergency services sector through the Emergency Services' Coordination Group (Chief Executives' Forum). The national Fire Service would coordinate with other emergency services about the national Fire Service's non-fire response to ensure gaps and overlaps are minimised and to agree any service delivery standards and operational delivery arrangements. It would be easier to coordinate between the national Fire Service and other emergency services agencies because there is one national organisation with clear mandate and governance.

Communities would have a fire service that is prepared for the particular needs and risks facing that community through a national resource allocation model. This model would manage risks within a region and provide a consistent approach across New Zealand. For example, some local stations in areas such as Canterbury would need to specialise in complex vegetation fires. Others would have general response capability for structure fires, some basic vegetation fire response and other non-fire work.

Option 3 – One national fire service (continued)

In remote areas the new organisation would work with emergency services to ensure that they have the equipment and capability to meet the community's fire and non-fire emergency needs. The new national Fire Service would consult with the community and work with local stakeholders to determine needs and risks for the community. Communities would experience a consistent approach to risk reduction using expertise from urban and rural fire. Communities would benefit from volunteer firefighters continuing to participate in civil defence responses when needed.

The **Department of Conservation** would reach agreements with the new national Fire Service about the resources the organisation would contribute to vegetation fire in recognition of the reduction, readiness and response activities on conservation lands. These agreements are likely to be confirmed by the relevant Ministers (same as Option 2).

The **New Zealand Defence Force (NZDF)** would operate its own defence areas and fire plans. They would consult with the new national Fire Service. The NZDF may agree with the new national Fire Service about the resources that the NZDF would contribute to the rural fire sector for fire and non-fire emergencies. These agreements would likely last for three years, so there would be stability for the sector.

Forest owners would continue to be able to operate their own fire resources and be included in fire planning in their area with the regional arm of the new national Fire Service. This option expects they would pay about the same as they do now (some would pay less and some would pay more). Charges between their fire forces and the new national Fire Service may be kept.

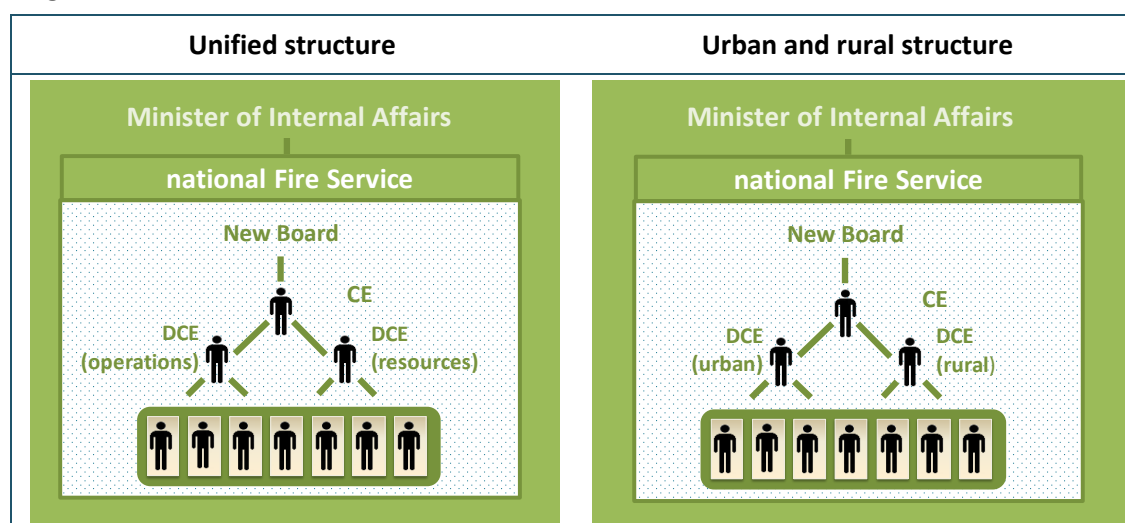
Farmers would not pay local body rates for rural fire. Through the insurance they pay on their rural buildings and assets, they would continue to contribute to the fire service levy. This would reflect the national system and would simplify the funding process. Farmers could be included in fire planning in their area with the regional arm of the new national Fire Service.

Local government would no longer have a role in delivering or supporting the delivery of rural fire. Local government would be an interested participant in rural fire through its responsibilities for natural hazards under the Resource Management Act 1991 and as a property owner. This option assumes there would be no local funding of rural fire, but depending on the results of consultation, this option could be changed to continue some local funding.

The **new national Fire Service** would have a new structure. This review has identified two potential approaches to structuring a unified organisation. It would be up to the new national Fire Service to decide how to structure itself. In practice, there is likely to be ongoing consultation on how the new organisation should be structured. See *Appendix G: Organisational structures* for more information. In appointing the Board, the Minister of Internal Affairs would need to have regard to the extent that the national Fire Service requires skills and experience in relation to urban and rural fire services.

Option 3 – One national fire service (continued)

Figure 5: Alternative structures for the one national Fire Service



*CE = Chief Executive; DCE = Deputy Chief Executive

Implementation of Option 3

This option would require a significant amount of legislative and operational change to create one national fire service. The transition programme would need to be planned and managed carefully to ensure all workforces are ready for the merger. The new national Fire Service would prioritise its relationships with the workforces to ensure that valued staff and volunteers are retained and can see their place in the new organisation.

Under this option the national office resources of the national Fire Service would need to be boosted, so that the national Fire Service has enough skilled and experienced personnel in support and management roles capable of delivering the proposed changes. The national Fire Service would need to carefully plan its implementation programmes, including bringing in external assistance if needed. The new organisation would grow its management capability and knowledge of rural fire early on. It would work closely with rural fire stakeholders and interested participants and grow strong working relationships ahead of the merger so that valuable local knowledge, firefighters and their skills are not lost to local communities.

Better understanding of rural fire and the work of Rural Fire Authorities is required to successfully implement this option. Establishing some national systems prior to implementation may help later organisational design and implementation systems – for example having a national rural incident reporting system. It is possible that other changes would occur before a changeover date to ease transition. At the changeover date, the responsibilities would shift to the new national Fire Service.

Risks with Option 3

Option 3 is the hardest to implement because of the amount of organisational change required. There are different cultures operating and these may create some challenges. There are also different skill sets required to manage vegetation and structural fire risks. To mitigate this risk, there needs to be an investment in urban and rural leaders for the new national Fire Service.

Option 3 – One national fire service (continued)

There is a risk that the current skilled workforce in local authorities and contractors would be less willing to provide their services. As happens now, the national Fire Service would need to ensure it can continue to engage contractors to help fight vegetation fires to support the rural firefighting force when required. This may include in-kind workforce support from the Department of Conservation, the New Zealand Defence Force and forest companies. The use of seasonal rural firefighters and national incident management teams could continue to be an effective resource to the larger scale rural incidents.

We want to protect our volunteers and keep them interested in working for fire services. Volunteers should feel valued and appreciated by the new national service. To ensure this, the new national Fire Service would keep its local community focus by having local managers.

Timeline for Option 3

We have not estimated how much time it would take to implement this option. However, it is likely to be a number of years, to ensure an easier transition to a new structure.



5. What do you see as the advantages and disadvantages of Option 3: One national service from your perspective?

How far does each option take us toward a service that better supports firefighters to serve their community?

When assessing the three governance and support options, think about how they would improve:

- **flexibility** - in how the fire services can meet their obligations now and into the future;
- **coordination** - effective partnerships within and between the fire services, and between the fire services and other emergency agencies;
- **leadership** - clarity of responsibilities and transparency of the fire services' and Department's decision making and processes;
- **consistency** - effectiveness in meeting community needs in relation to fire services, which includes promoting safety and community resilience to fire and other emergency events;
- **efficiency** - providing an effective fire service at the least cost required.

Each option improves on the status quo but to different degrees. We would like to know what you think about the options.



6. Which governance and support option do you prefer? (please choose one only):
a) Option 1 – Enhanced status quo
b) Option 2 – Coordinated service delivery
c) Option 3 – One national fire service
d) Other (for example a mix of the options)

6.1. Why did you choose that option?

Implementing the options

To implement, or to make the chosen option work, there are some decisions to be made. Listed below are some matters to consider for the implementation of each option. This list is not exhaustive, as we are keen to hear your views. You may comment on how any of the options could be implemented, including options that you do not prefer.

To make **all options** work involves considering the activities of the fire services. In September 2013, Cabinet considered the Swain Report recommendations and made decisions on mandate.¹⁸ Cabinet set out the mandate for work the Commission must do. It also set out the work that the Commission could do, but would not be required to do.

This section talks about the Commission, but here this also means either the new Fire Service under Option 2 or the national Fire Service under Option 3. The Commission would be required to promote fire safety, prevent, respond to and suppress fires, promote forest and rural fire capability, extricate trapped persons from vehicles, and stabilise and render safe hazardous substances.

The Commission would be able (but would not be required) to:

- respond to medical emergencies, substance incidents (that are not hazardous substances) and maritime incidents;
- perform technical rescues, including urban search and rescue, collapsed buildings, line rescue,¹⁹ confined spaces, irrespirable²⁰ and explosive atmospheres (excluding specialist functions in mines), swift water and animal rescues;
- provide assistance at road traffic incidents;
- protect life and property following severe weather-related and natural incidents; and
- respond to other incidents where it has the capability to respond.

The Commission needs to make sure that the work that must be done (fire safety, fire emergencies, vehicle extrications and hazardous substances) would be the first priority for firefighters. Firefighters can do the optional work only if there is capability to look after the work that must be done. The Commission would need to create clear policies about what responses to train for, and which brigades and firefighters would be trained for responses.

The Commission would coordinate with other emergency services about the Commission's non-fire response to ensure gaps and overlaps are minimised and to agree any service delivery standards and operational delivery arrangements.

To make **Option 2** work, we need to consider more details such as:

- what incentives or support would be most useful for volunteers and their employers;
- how pre-funding the new Rural Fire Authorities for the 4Rs for fire would operate, for example how would they pay for big fires – whether the new Fire Service or Rural Fire Authorities hold a reserve for this;

¹⁸ The Cabinet paper can be viewed at www.dia.govt.nz/fireservicesreview.

¹⁹ Rescues that involve the use of ropes.

²⁰ That is, atmospheres that are unfit for breathing in.

- how local government would contribute to rural fire;
- how forest owners and farmers would contribute to rural fire;
- the effectiveness of cost recovery as a sanction;
- how the current offences and penalties would operate and whether there should be more tools, education and communications to improve compliance; and
- the names of organisations, such as the new Rural Fire Authorities and the new Fire Service.

To make **Option 3** work, we need to consider more details such as:

- what incentives or support would be most useful for volunteers and their employers;
- how local government would contribute to rural fire;
- how forest owners and farmers would contribute to rural fire;
- what the new national Fire Service would need to do to understand and respond to local communities' needs and risks;
- how to enable a unified organisation to undertake local community activities;
- what structure would work best (see the options mentioned on page 26 and outlined in *Appendix G: Options for organisational structures for Option 3: One national fire service*);
- other amalgamations that were done well and how the review can learn from these amalgamations and apply them to the fire services; and
- the names of organisations, such as the new national Fire Service.



7. Do you have ideas for what new organisations in Options 2 and 3 could be called?



8. How do you think the governance and support options could be implemented? Please feel free to comment on any of the options from the discussion document.

Modernising the legislation

The two Acts guiding the fire services and the management of fire are almost 40 years old. With makeshift amendments over the years, the legislative provisions can be confusing and unclear, and the two Acts do not always work well together.

The Swain Report recognised that the two Acts would benefit from a full, plain English redraft. The Swain Report recommended that the two Acts remain separate. The options in this Discussion Document do not address the issue of separate or combined legislation. Our approach is to first work out what it is that we want and then to work out how to make the changes happen. The widened scope of the review means that updating the legislation to reflect modern day practice, and to better support the fire services' work, can now be considered more fully.

One aspect of modernisation is considering how the legislation can be brought more in line with the Crown Entities Act 2004. The Crown Entities Act sets out the functions of Crown entities, such as the Fire Service Commission, and who they are responsible to (a Minister). Generally, the Minister needs to appoint the board of a Crown entity and has powers in relation to monitoring the Crown entity, but does not get involved in operational matters.

Funding the options

How much funding is needed to make the change and pay for the ongoing costs depends on which governance and support option is chosen, and how it is implemented (see *Implementing the options* on page 28). Option 1 has the smallest change so would probably cost the least. As Option 2 is a medium change and keeps local funding of rural fire, we would expect this to cost more than Option 1, but less than Option 3.

This section talks about the Commission, but here this also means either the new Fire Service under Option 2 or the new national Fire Service under Option 3.

For each of the options to be implemented successfully, it may cost more than it does currently. The Commission's expenditure for the 2013/14 financial year was \$350 million. The cost of rural fire is unknown, although estimates from a 2009 study place it at \$45 million per annum.²¹

Once the Government has considered your submissions and confirmed a governance and support option, detailed financial modelling would take place to estimate the cost of the option, its impact on different groups and how much extra funding may be generated. We will continue to work with stakeholders on these costs and the options. This will help us better understand the priorities for change, the technical details of insurance and local rural fire funding, and how much funding is needed to make the change.

Depending on the costs, the extra funding would either come from prioritising existing revenue or new funding provided to the Commission, or a mixture of these approaches. The Commission will work with stakeholders and government to prioritise what needs to happen immediately and what will happen over time. If the funding comes from existing revenue, it may mean that the Commission would have to prioritise some of its current expenditure projects, or that they may take longer to complete.

Over time, the changes under any of the options may result in increased efficiency, which could help lessen the overall costs of making the fire services fit for purpose. In addition, the review is considering how the monitoring of the Commission may contribute to increased efficiency. See the *Monitoring* section for more information.

²¹ See Kaliyati, W., Sanderson, K., Wu, J. (2009). *The Economic Cost of Wildfires*. Wellington: Business and Economic Research Ltd (BERL Economics). Retrieved from www.fire.org.nz.

What are the issues with the Commission's fire service levy?

The fire service levy is a levy charged to property owners and collected by insurance companies or brokers when their customers take out fire insurance for contents, buildings, or motor vehicles. The levy is the main source of funding for the Commission, including the NZFS and NRFA. The levy also provides some funding to rural fire, through the Commission's grants to Rural Fire Authorities, and the Rural Fire Fighting Fund (see *Appendix E: Income sources for rural fire* for more information).

This section describes some of the issues with the Commission's fire service levy and provides options on how the Commission could be funded in the future. You can find a more detailed analysis of these issues in the separate background paper on *Fire Service Levy – Funding options and alternatives* at www.dia.govt.nz/fireservicesreview. The funding options are presented separately from the governance and support options, because either of the funding options could work with any one of the governance and support options.

In the *Monitoring the Commission* section at page 40, some of the issues with the current levy process are discussed, along with options to improve the process.

Fire service levy revenue does not reflect the total risk of fire

The fire service levy does not reflect the risk presented by the different properties and assets that the NZFS needs to be ready to protect. Furthermore some people and organisations do not take out fire insurance and therefore do not contribute to the levy.

Fire service levy does not reflect the range of activities

The fire service levy does not reflect the range of activities that the NZFS responds to. The levy is calculated on fire insurance but funds a range of non-fire activities, such as responding to weather events and medical emergencies.



A report by MartinJenkins on the Commission's sources of income and their types of activities estimated that \$84.6 million was spent on readiness and response to non-fire incidents for the 2012/13 year.²²

²² Gould, C., Hunn, N. (2014). *New Zealand Fire Service – Report on Expenditure and Service Delivery*. Wellington: MartinJenkins. Retrieved from www.dia.govt.nz/fireservicesreview. This report gives a general overview of where costs lie, through allocating all costs across the different activities undertaken by the Commission.

The fire service levy can be confusing to calculate and difficult to forecast

Currently the levy is calculated on the indemnity value of properties insured against fire. However, the term indemnity value is not defined in the Fire Service Act. The indemnity value is fixed in the owner's declaration or a valuation certificate. The terms used in the Fire Service Act do not align with modern insurance contracts. This means it can be difficult for non-residential property owners, and their insurance brokers or companies, to calculate exactly how much levy should be payable.

One result of this confusion is that some non-residential property owners have had a different interpretation to the Commission about how the fire service levy should be calculated. Some non-residential property owners have been using split tier or collective policies to pay a lower fire service levy while receiving effectively the same insurance cover as someone who has insured and is paying levy on the full indemnity value of their property.²³

The Insurance Brokers Association of New Zealand (IBANZ) sought a declaration from the courts about how the fire service levy should be calculated on split tier and collective policies. The Commission opposed the IBANZ proceeding. Both the High Court and Court of Appeal found in favour of IBANZ, and the Commission appealed to the Supreme Court. The Supreme Court gave its judgment on 13 May 2015 in favour of the Commission.

While the decision addresses the effectiveness of existing split tier policies and will make it much more difficult to put in place effective collective policies, it is possible that other arrangements intended to minimise the levy may develop because the legislation is not as clear as it could be. Unless there is reform to the Fire Service Act, further litigation may be necessary to settle disagreements about how the levy should be calculated.



In its judgment, the Supreme Court has indicated the relevant part of the Fire Service Act should be interpreted broadly, saying “we think the nature of the levy as a charge for a universally available service is an important feature of s 48. The interpretation of the words of the section must be undertaken having regard to the fact that this section imposes a levy, in the nature of a tax, for the purpose of funding a public service. This is a strong indication that to the extent s 48 can be interpreted to enhance the universality of the levy, that interpretation should be adopted.”²⁴

²³ See the background paper on *Fire Service Levy – Funding options and alternatives* for more information on how these policies work.

²⁴ *New Zealand Fire Service Commission v Insurance Brokers Association of New Zealand Incorporated* [2015] NZSC 59 at [24].

What might help with the Commission’s fire service levy?

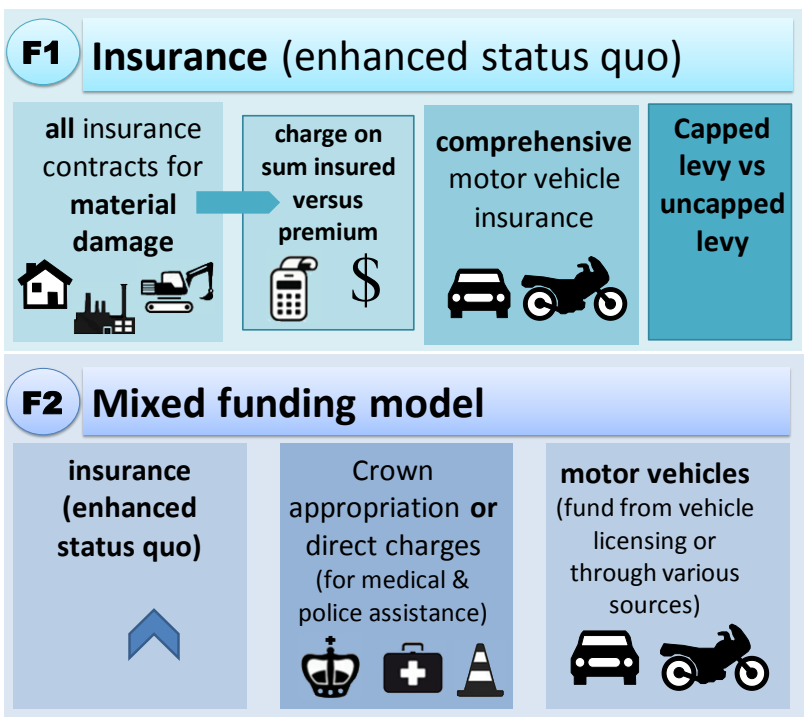
How the Commission could be funded

This section describes two options for funding the Commission: an insurance-based model (enhanced status quo) and a mixed funding model. This section talks about the Commission, but here this also means either the new Fire Service under Option 2 or the new national Fire Service under Option 3. The review wants to hear from you, not just about your preferred option, but how any of the options could be made better.

With both of the options, the Commission would continue to have the ability to charge for some services. At the moment, the Commission charges for a limited number of services, such as false alarms and responding to hazardous substance incidents.

The review also considered and rejected the options of a levy on property values collected by local authorities, and of funding through general taxation. The section *Appendix H: Discarded options for funding the Commission* explains why these options were rejected.

Figure 6: Possible options for funding the Commission



Funding Option 1 – Insurance-based model (enhanced status quo)

Under Funding Option 1, the fire service levy would continue to be based on insurance. How the levy is calculated would change to make it easier to understand how much needs to be paid. The table below outlines how Funding Option 1 is different from the current situation.

Figure 7: Comparison of the current situation and Funding Option 1

	Current situation	Funding Option 1 – enhanced status quo
Types of insurance contract	Residential and non-residential buildings and contents – fire insurance Motor vehicle – fire insurance ²⁵	Residential and non-residential buildings and contents – all insurance contracts for material damage Motor vehicle – fire insurance
Basis for calculating levy	On the sum insured, or if there is no sum insured or if the sum insured is greater than the indemnity value, on the indemnity value of the property (in effect, it is usually the indemnity value)	Either sum insured or insurance premium
Levy rate	Residential and non-residential buildings and contents – fixed levy rate, currently 7.6 cents per \$100 of insured value per annum Motor vehicle under 3.5 tonne – fixed charge, currently \$6.08 per annum	Residential and non-residential buildings and contents – could be fixed or variable levy rate Motor vehicle under 3.5 tonne – fixed charge
Capped or uncapped levy	Residential buildings; value capped at \$100,000, which means a maximum levy of \$76 a year Residential contents' value capped at \$20,000, which means a maximum levy of \$15.20 a year Non-residential buildings and contents' value are capped at the indemnity value of the property so the greater the assessed indemnity value, the more levy is paid	Residential buildings and contents could either be capped (as currently) or uncapped . If capped, the cap could be raised Non-residential property and contents could be capped or left uncapped (as currently)

Basis for calculating the levy

The levy could be calculated either on the sum insured (how much the property is insured for) or the insurance premium (how much the insurance policy costs).

Using the sum insured would be simple to calculate and is relatively stable. However, it does not charge based on risk, so may not provide an incentive to property owners to reduce the risk of fire.

An insurance premium has a level of risk, which can reflect the fire risk of a property. However, other matters may have a significant impact on the value of the premium, such as the cost of reinsurance and interest rates. You may have alternative suggestions, for example, the total value of all property insured covered by an insurance contract (such as in a collective first loss contract).

²⁵ Levy is only charged on comprehensive motor vehicle insurance (which includes the risk of fire), not third party only insurance contracts.

Levy a fixed rate, a fixed charge or a variable rate

The levy could be based on a fixed rate, as it is currently. Alternatively, the levy could be a fixed charge (e.g. \$80) per property or a variable levy rate. A variable levy rate varies depending on factors such as risk, cost of service and frequency of use.

The administration costs and complexity could outweigh any benefit of a variable levy rate. It would be difficult for insurance companies to apply the variable rate, and for the Commission to make sure the insurance companies were applying the variable rate correctly. By comparison, a fixed charge would be simple to administer but it does not take the levy payer's income and the public good benefits of the Commission's activities into account. In general, a fixed rate charge best balances the goals of providing some equity with the need to implement a simple and low-cost option that reduces the risk of any levy minimisation.

While varying the levy on the basis of risk, cost or use is likely to be impracticable, the levy rate could be varied for residential and non-residential properties. Under the status quo, residential and non-residential properties are charged at the same rate of 7.6 cents per \$100 of insured value. This results in residential property owners paying a disproportionate amount relative to the number of residential fire emergencies. A split fixed rate system would allow a fairer allocation of costs across the residential and non-residential sectors at a manageable cost.

Capped or uncapped levy

Currently, the levy for residential buildings and contents is capped (or limited). Any property over the cap pays the same amount of fire service levy. Non-residential building and contents levies are based on indemnity value, without any cap or limit. As the indemnity value of a property increases, so does the fire service levy.

A capped levy on residential property is arguably fairer than non-capped, as the costs for the Commission for residential properties are generally similar. A cap also helps those who are asset rich but cash poor. However, a cap means those with cheaper properties pay more relative to the value of their property (so, someone with a \$150,000 home pays the same as someone with a \$1 million home). A cap may also not recognise the public good aspect of the Commission's activities. If the cap for residential property is kept, it could be raised from \$100,000 to better reflect the ability of property owners to pay (as far as property values reflect an ability to pay).

A capped levy on non-residential property spreads the burden of financing the Commission more evenly. It may also reduce incentives for larger non-residential owners to enter contracts to minimise levy payments. However, as with residential property, a cap means those with cheaper properties pay more relative to the value of their property. This could create significant inequities for non-residential property owners because of the greater range of property values. It is also less fair for the Commission, as there may be greater costs for the Commission in attending emergencies at large non-residential properties.



9. What do you see as the advantages and disadvantages of Funding Option 1: Insurance-based model (enhanced status quo) from your perspective?

Funding Option 2 – Mixed funding model

This model would provide for a mix of funding sources:

- a fire services levy based on insurance excluding vehicle insurance (see Funding Option 1 for details);
- contributions from the Government to fund non-fire activities (for example medical and Police assistance);
- contributions from the Government to reflect the under-insurance of Crown properties for fire damage; and
- contributions from the motor vehicles sector.

How the Government contribution could be provided

There are various ways that the Government could provide contributions under Funding Option 2: Mixed funding model. One way is through a Crown appropriation, which is a direct contribution from The Treasury, agreed each year in the Government's Budget. This is how most Government departments are funded. A Crown appropriation is highly transparent and cheaper than direct charges to implement and administer. It could also be more responsive to changes in the Commission's needs. However, it may reduce incentives for agencies to coordinate activities with the Commission to reduce Crown property fire risk.

Another way is a direct contribution from the main Government beneficiary of the services provided. For the Commission, the direct contribution from the Government beneficiary could be made proportionally to reflect the average cost of the Commission's activities (including a proportional charge for the costs of readiness). Alternatively, Crown agencies could be charged annually with a proxy for the fire service levy based on the value of their properties. A charge to agencies targets those that benefit from the Commission's activities. It may also provide an incentive to agencies to minimise fire risk on Crown properties. However, it would also be complex, costly and more difficult to administer.

How much would the Government contribute?

The costs to the Government of funding non-fire activities are potentially significant. As an example, the Report on Expenditure and Service Delivery²⁶ estimated that \$11 million of Commission expenditure is allocated to attending medical emergencies. If the Commission were to recover this from the Ministry of Health without new funding, existing services may be reduced to provide for it, or the cost would need to be funded from "new money" above the current budget of the Ministry of Health. The context of the Government's wider fiscal priorities would be relevant.

Funding motor vehicle related activities

The NZFS and rural fire undertake a number of activities in relation to motor vehicles, including vehicle fires, extricating people from motor vehicles, and performing other services

²⁶ Gould, C., Hunn, N. (2014). *New Zealand Fire Service – Report on Expenditure and Service Delivery*. Wellington: MartinJenkins. Retrieved from www.dia.govt.nz/fireservicesreview.

at road accidents. The Report on Expenditure and Service Delivery²⁷ estimated the cost of the fire services attending motor vehicle incidents (including vehicle fires) was \$34.1 million for the 2012/13 year.

The review has considered two ways to fund the motor vehicle related costs:

- funding from a flat annual charge on vehicle licensing (commonly known as “rego”); or
- a transfer from road tax revenue under section 9 of the Land Transport Management Act (funded from a variety of sources including road user charges, fuel excise and vehicle licensing).

Both options would ensure that funding for motor vehicle related services would be collected from a wider funding base. It would also help address the free-rider problem of those who do not have comprehensive motor vehicle insurance.

A charge on vehicle licensing would make the cost of the Commission’s motor vehicle activities more transparent to the public. It would also ensure that those who benefit from the Commission’s activities (vehicle users) contribute to the costs. However, the transition and ongoing costs of adjusting the New Zealand Transport Agency’s revenue collection model could be significant. The charge could also possibly be less adaptable to the needs of the Commission.

A transfer from road tax revenue would likely have lower administration costs than a charge on vehicle licensing, because of the existing administration and distribution process. This would require prioritisation from existing spending or an increase in road user charges and fuel excise duty. Operators of electric vehicles would also not contribute to this as they pay neither of these charges.

A charge on vehicle licensing would require the Commission to become an approved organisation with the NZ Transport Agency. Funding from road tax revenue would require an amendment to section 9 of the Land Transport Management Act, in order to allow revenue to be spent on the Commission’s motor vehicle-related activities.



10. What do you see as the advantages and disadvantages of Funding Option 2: Mixed funding model from your perspective?

Assessing the options for funding the Commission


When assessing the two funding options, think about how they could improve:

- **equity** - that the funding sources should reflect the functions undertaken by the Commission/NZFS, making sure each participant pays relative to their contribution to the costs (horizontal equity) and those facing different circumstances are charged differently (vertical equity);
- **sufficiency of funding** - that the Commission has the necessary funding to carry out its activities consistent with the risk of fire and other emergencies across New Zealand;

²⁷ Gould, C., Hunn, N. (2014). *New Zealand Fire Service – Report on Expenditure and Service Delivery*. Wellington: MartinJenkins. Retrieved from www.dia.govt.nz/fireservicesreview.

- **predictability and clarity** - revenues are not subject to sudden changes; revenues can be calculated readily and easily, charges are clear to the public and free-riding and levy minimisation are decreased;
- **adaptability** - the funding base should change in line with any change to the Commission's risk portfolio;
- **non-distortionary** - the effect of the option on a levy payer's decision making is kept to a minimum and perverse incentives are avoided; and
- **cost-effectiveness** - costs of administering and collecting the funding are kept to a minimum, and the enforcement of penalties is straightforward.

We would like to know what you think about the options and how they could improve on the status quo.

	<p>11. Which funding option do you prefer? (please choose one only):</p> <ul style="list-style-type: none"> a) Funding Option 1: Insurance-based model (enhanced status quo) b) Funding Option 2: Mixed funding model <p>11.1 Why did you choose that option?</p>
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Implementing the funding options


To implement, or to make the chosen funding option work, there are some decisions to be made. Listed below are some matters to consider for the implementation of each funding option. This list is not exhaustive, as we are keen to hear your views. You may comment on how either of the options could be implemented, including options that you do not prefer.

To make **Funding Option 1** work, we need to consider more details such as:

- using sum insured or insurance premium as a way to calculate levy;
- other ways to calculate levy on insurance;
- if the levy should be a fixed rate;
- caps for residential property; and
- caps for non-residential property.

To make **Funding Option 2** work, we need to consider more details such as:

- all of the issues listed under Funding Option 1 above;
- if it is better for Government to contribute through a Crown appropriation or through a direct contribution from the Government agency to the Commission; and
- if the vehicle contribution to the Commission would be funded from a charge on vehicle licensing or a transfer from road tax revenues collected under the Land Transport Management Act.

	<p>12. How do you think the funding options could be implemented? Please feel free to comment on any of the funding options.</p>
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Monitoring the Commission

How will we know if the fire services are working well?

The Department monitors the Commission in a number of ways. The review has identified several areas the Department would like to work with the Commission on to develop meaningful performance measures and change the funding review process. This section talks about the Commission, but here this also means either the new Fire Service under Option 2 or the new national Fire Service under Option 3.

Currently, there is some indication of how successful the Commission is through the performance measures that the Commission sets in its Statement of Performance Expectations and which it reports on in the Annual Report. However, these performance measures are not always as meaningful as they could be. It is simple to measure how many fire emergencies are attended, and how soon a response is made, because that can be counted. It is more difficult to measure if the response was carried out well, and used the least amount of resources required for a good response.

This type of information can be found in operational reviews of specific events, for example, the reviews of the 2011 Christchurch earthquake. While a single operational review shows how that particular event was managed, and provides good lessons for the fire services to use for other events, it may not show the success of the fire services as a whole.

The Department is currently working with the Commission to create meaningful performance measures that can better reflect the successful operation of the fire services. The option chosen in the review will affect the final nature of the measures. For example, the changes to mandate mean the Commission would need to work with other emergency services about the Commission's non-fire response to ensure gaps and overlaps are minimised and to agree any service delivery standards and operational delivery arrangements. Performance measures would be established in relation to this.

The funding review process can provide another opportunity to examine the performance of the Commission. This could help the Commission to become more efficient over time. Changes to the funding review process could also help the Commission become more transparent and clear about its spending decisions. The funding review process is discussed below.

What should the funding review process be?

Issues with the current levy review process

There are a number of issues with the current process for reviewing the fire service levy. One issue is that the process favours stability over adaptability and strategic change. At least once a year the Minister must consider whether to change the levy rate, taking into account the likelihood that the total insured amounts will change, whether the levy is sufficient, and if the levy will remain stable in the long term.

The levy rate has stayed the same since 2008, although the Commission's revenue has increased over that time because the total value of insured properties has increased. This means that there is a natural presumption in favour of stability, as the Commission's income continues to grow without the need to change the rate. This levy review process is not dynamic or adaptive to the changing nature of the Commission's activities.

The current levy review process is also not as robust and transparent as modern best practice review systems. For example, there is no requirement to publicly discuss the Commission's increased expenditure with levy payers, because the funding base increases even though the rate remains stable. There is also no public consultation by the Department on what the fire service levy rate should be. Nor does the levy review process make it clear to levy payers what their levy is contributing to. The Government has a general expectation that there should be consultation on charges to the public.²⁸

Objectives of a funding review process

The funding review process would be improved in order to:

- **ensure the ongoing financial viability of the fire services** so that there is enough money to pay salaries, and an efficient/effective spend on capital investment;
- **support robust and transparent business planning** to ensure:
 - it is clear what services and outcomes the money is being spent on;
 - the service delivery and assumptions underpinning the funding model are clear (e.g. response times);
 - the Commission's strategic business planning is clearly linked to choices about funding; and
- **ensure the flexibility and equity of funding**, so that the amount collected over time can change to deal with changing service expectations, and to ensure the clear attribution of costs to the benefits received (especially with a mixed funding model).

How the funding review process would be improved

The funding review process can be improved without significant changes to legislation. It could be based on the existing statutory criteria, but with greater inputs from the Commission and the Department (for example, more detailed information on the assumptions and choices around future capital expenditure). The effectiveness of these changes and the public's confidence in the system would be largely dependent on the future discretion of future decision-makers.

²⁸ See The Treasury. (2002). *Guidelines for Setting Charges in the Public Sector*. Wellington: The Treasury. Retrieved from www.treasury.govt.nz. See also The Treasury. (2015). *Best Practice Regulation Model: Principles and Assessments* (pp80-81). Wellington: The Treasury. Retrieved from www.treasury.govt.nz.

Enhanced statutory review of levy and other variable contributions














A more robust and complex review system to set the insurance-based levy and other variable funding inputs (e.g. direct charges or vehicle contributions under Funding Option 2: Mixed funding model) could be introduced through legislation. This system could involve the Department consulting at least every three years on the proposed level of readiness and services to be delivered by the Commission, and the proposed level of funding to fund this. The Commission would face a far higher degree of scrutiny on planning and funding matters, as it would be required to provide data to support the consultation.

Standard government budget review processes

Any element of funding through Crown appropriations under Funding Option 2 (Mixed funding model) would be subject to the standard Budget bid processes. For example, any increase in such an appropriation would need to be submitted in a Budget and go through the process of engagement with The Treasury, the Minister of Finance and Cabinet. The general principles of this process also could be adapted for review of any levy components.

Questions in this document

To help you organise your submission, here is a list of all the questions in this document. You do not have to answer all the questions. Just answer those questions that you want.

	1. Are there particular areas of the fire services that are working well that you would like to tell the review about? (page 9)
	2. Do you agree that these are the problems and consequences that the review needs to address? Are there any other consequences that you would like to add? (page 13)
	3. What do you see as the advantages and disadvantages of Option 1: Enhanced status quo from your perspective? (page 18)
	4. What do you see as the advantages and disadvantages of Option 2: Coordinated service delivery from your perspective? (page 22)
	5. What do you see as the advantages and disadvantages of Option 3: One national service from your perspective? (page 27)
	6. Which governance and support option do you prefer? (please choose one only): a) Option 1 – Enhanced status quo b) Option 2 – Coordinated service delivery c) Option 3 – One national service d) Other (for example a mix of the options) 6.1 Why did you choose that option? (page 27)
	7. Do you have ideas for what new organisations in Options 2 and 3 could be called? (page 29)
	8. How do you think the governance and support options could be implemented? Please feel free to comment on any of the options from the discussion document. (page 29)
	9. What do you see as the advantages and disadvantages of Funding Option 1: Insurance-based model (enhanced status quo) from your perspective? (page 36)
	10. What do you see as the advantages and disadvantages of Funding Option 2: Mixed funding model from your perspective? (page 38)
	11. Which funding option do you prefer? (please choose one only): a) Funding Option 1: Insurance-based model (enhanced status quo) b) Funding Option 2: Mixed funding model 11.1 Why did you choose that option? (page 39)
	12. How do you think the funding options could be implemented? Please feel free to comment on any of the funding options. (page 39)
	13. Are there any other comments that you would like to make about the issues and proposals?



14. Please let us know if you identify with any of the groups below. You may indicate all that apply:

- a) rural fire services;
- b) urban fire services;
- c) volunteer firefighter;
- d) paid/career firefighter;
- e) emergency services;
- f) community group;
- g) local authority;
- h) general public;
- i) landowner;
- j) insurance organisation;
- k) other (please specify).

Appendix A: List of stakeholders met December 2014 – April 2015

The Government appreciates the time and help that the following stakeholders have contributed to the review. Their advice and guidance has improved the quality of this Discussion Document.

Ambulance New Zealand
Aviation Industry Association
Business New Zealand
Enlarged Rural Fire Districts Chairperson Group
Executive Officers' Society
Federated Farmers
Forest and Rural Fire Association of New Zealand
Insurance Brokers' Association of New Zealand
Insurance Council of New Zealand
LandSAR
Local Government New Zealand
New Zealand Forest Owners' Association
New Zealand Professional Firefighters' Union
Principal Rural Fire Officers of ERFDs
Public Service Association
Scion's Rural Fire Research Group
Small forest owner
Society of Local Government Managers
St John Ambulance
United Fire Brigades' Association
Wellington Airport Fire Service
Wellington Free Ambulance

Appendix B: Vision 2020

VISION 2020

“ Leading integrated fire and emergency services for a safer New Zealand ”

Te Manatū o ngā ratonga ohotata kia haumarū ake ai a Aotearoa

LEADING

People who strive for excellence

'We have skilled and effective people where and when we need them'

By 2020 we will:

- Be able to demonstrate that our performance is equal to, or better than, any fire and emergency service in the world
- Have a ready supply of skilled and inspiring leaders, supported by high-quality development programmes

Agile

'We will recognise when we need to change things and do so promptly'

By 2020 we will:

- Work with communities to anticipate their changing needs
- Adapt our processes and approaches smoothly and rapidly when change is required

Improved decision-making

'We will make better decisions'

By 2020 we will:

- Have embedded risk-based management into how we do business

INTEGRATED

Effective partnerships

'We improve how we work with our emergency service partners'

By 2020 we will:

- Work with our partners to eliminate duplication of services
- Have seamless working relationships with other emergency services
- Have strong relationships with international emergency services

Unified

'We work together'

By 2020 we will:

- See all our rural, urban, career and volunteer people working seamlessly together
- Work collectively towards common solutions where everyone who should be involved is appropriately engaged
- Have connected systems and processes so that users only need to provide the same piece of information once

Consistent

'We deliver a seamless service to all New Zealanders'

By 2020 we will:

- Deliver high standards of service using the same risk-based approach and processes throughout the country

FIRE & EMERGENCY SERVICES

Excellence in incident management

'We are recognised for our excellence in incident management'

By 2020 we will:

- Ensure that across all ranks and support people effective incident management is embedded in everything we do
- Have seamless working relationships with our emergency service partners on incident management protocols and procedures

Supporting the front line

'We will focus on our frontline responsibilities'

By 2020 we will:

- Optimise our processes and tools to help people do their job more effectively
- Listen and respond to frontline needs and innovation in a consistent way

Wide range of incidents

'We will perform well at a wide range of incidents'

By 2020 we will:

- Ensure that we have the right mix of trained skills in the right places to respond to a wide range of fire and non-fire emergencies

SAFER NEW ZEALAND

Risk reduction

'We will make our communities safer'

By 2020 we will:

- Have reduced the rate of fire deaths in our vulnerable communities
- Improve how we support communities to manage their risk

Safer homes and workplaces

'We will reduce the number of injuries to our people and the New Zealand public'

By 2020 we will:

- Have significantly reduced the number of serious injuries and harm to our people
- Be demonstrating zero tolerance to bullying, harassment and other harmful behaviours in our workplaces
- Have reduced the number of serious injuries in our communities

Community-based

'We work in partnership with our communities and other emergency partners'

By 2020 we will:

- Work effectively with our communities to reduce the number of incidents and improve our response to them
- Have a clear understanding of our role in communities and what is most important to them
- Work collaboratively with volunteer communities to support their brigades

Appendix C: Problems and consequences

The problems and consequences discussed below have come from the review team considering the Swain Report, gathering evidence and talking with stakeholders. The review has more information than the Fire Review Panel did about the issues facing the fire services, partly because it is a few years later. Also, this review has a wider scope, allowing the review to look at more issues than the Fire Review Panel could.

There are three big problems hampering the fire services

1. **Changing expectations of fire services**
2. **Lack of coordination and variable leadership**
3. **Inconsistent investment for community needs**

The first problem is that **expectations have changed and will continue to change**. The fire services have adapted to changing community expectations and needs by responding to non-fire emergencies like swift water rescues, storm damage, medical emergencies, and motor vehicle extrications. These services are now part of the fire services. There are also more international responses, such as the NZFS helping with international Urban Search and Rescue (USAR) responses. The rural fire sector also provides international responses to wildfires in Australia, Canada and the United States of America. The consequences of these changed expectations are increasing commitments in terms of resource, training and ongoing support for non-fire services and international support.

Societal expectations have also changed since the 1970s when the fire services legislation was passed. For example, there is new legislation on resource management, civil defence, local government, employment, and health and safety accountability and responsibility. There are also more general expectations of a professional response from all fire services. These expectations put the fire services under increasing financial pressure, and old legislation makes it difficult for the fire services to change to meet these expectations.

The second problem is that **there is a lack of coordination and variable leadership**. Some consequences of this are the lack of coordinated support for, and focus on, all volunteer firefighters. There can also be poor coordination between Rural Fire Authorities and NZFS brigades. There is a lack of national oversight of rural fire governance and a limited ability of the NRFA to respond when a Rural Fire Authority or ERFD is falling below expected standards. There are also not enough national information systems and support for fire services. For example, there is no national incident reporting system for rural fires. This means that communities receive very different services, depending on whether they live in an urban fire district or a rural fire district and sometimes these differences do not make a lot of sense.

The final problem is that **investment is inconsistent with community needs**. Some consequences are the underinvestment in people, including training, equipment and uniforms in the rural sector, and support in the urban and rural volunteer sector. There is underinvestment in rural fire, particularly around a nationally coordinated fire reduction programme, and also underinvestment in capital expenditure.

The three problems have a number of consequences

The above three problems stem from a number of causes, including the legislation, operating models of the fire services, separatist cultures, and leadership. The three problems also have a number of consequences, which are outlined below.

Health and safety issues for rural fire

Firefighting will always have an element of risk, due to its nature. A person's behaviour can make firefighting more risky, for example, if they do not follow safe procedures. There can also be systemic risk, where the systems do not work to reduce risk as much as they could. The review has focused on health and safety issues for rural fire, because it appears that rural fire has the potential for systemic risk.



“It is really challenging particularly in today's environment with health and safety needs and the general professionalisation, particularly of rural fire over the last 10 years the training needs have gone through the roof to what they used to be. So it can be very challenging to, well, number one convince the volunteers that they do need to do this training and it's there for their safety to make sure they come home safe”.

- Allan Grigg, Hurunui District Principal Rural Fire Officer²⁹

When there is a significant rural fire event (a large, complex or dangerous fire), an operational review is usually commissioned by the relevant Rural Fire Authority.

A review by the NRFA of nine recent operational reviews³⁰ of rural fires showed that:



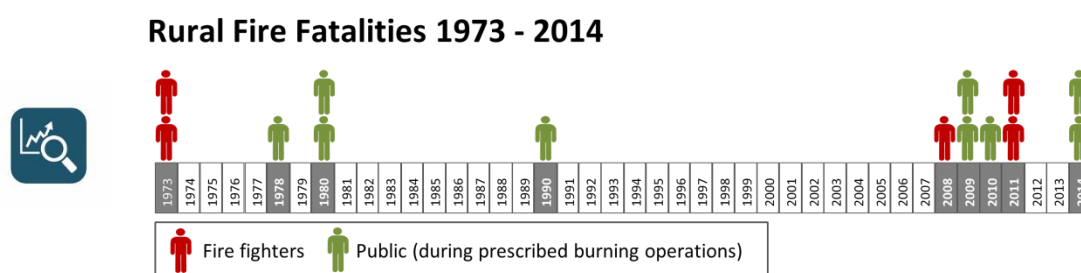
- eight out of nine Rural Fire Authorities had governance or management deficiencies in readiness;
- seven out of nine had deficiencies in reduction (policy, practice, or procedures);
- nine out of nine didn't appoint a safety officer on the first shift and had operational deficiencies (safety, training, or other); and
- eight out of nine had no incident management team appointed for the first shift.

In the last seven years there has also been an increase in the number of fatalities associated with rural fire, as shown in the figure below. While the number of deaths may not be considered statistically significant, it may indicate a systemic issue. The review considers this is a concern that needs to be addressed.

²⁹ Radio New Zealand National (Producer). (13 March 2015). *Pressure on fire brigades as volunteer numbers dwindle* [Audio]. Retrieved from <http://www.radionz.co.nz/national/programmes/ninetoon/20150313>.

³⁰ The operational reviews considered were the Papatotara fire (2004), Marangi Forest fire (2006), Para Road fire (2008), Wye Creek fire (2008), Kaimaumu fire (2010), Mosquito Gully fire (2011), Selwyn Road fire (2013), Great Barrier Island fire (2013), Flagg Bay fire (2013). The operational reviews of the Para Road fire, Wye Creek fire, Kaimaumu fire, Mosquito Gully fire and Flagg Bay fire can be found at the National Rural Fire Authority's website: www.nfra.org.nz.

Figure 8: Rural fire fatalities 1973 - 2014



Volunteer shortages in some parts of the country

The fire services are usually able to attract sufficient volunteers. In some parts of the country, particularly in rural communities, volunteer shortages are a problem. In some areas, this is a current issue, in other areas it is not a significant problem now, but may be in the future.³¹



In 2014, 67 NZFS volunteer brigades (16.9 per cent) were at less than 80 per cent of target numbers. One NZFS volunteer brigade was at less than 50 per cent of target numbers.

The percentage of brigades at less than 80 per cent of target numbers has remained at about 17-18 per cent since 2009.³²

Media reports indicate that some rural regions are finding it becoming increasingly to find volunteers (Taranaki and Te Awamutu are recent examples).



“It [the shortage pressure] varies from community to community really, where the pressure comes on particularly is either in the really small towns where everyone goes out of the town [to] work during the day...and then...through to the...the bigger provincial towns where it’s getting so busy that it’s becoming quite a commitment for people to be a volunteer firefighter there”.

- Roy Breeze, NZFS Area Manager, Area 6 (Waikato)³³

The physical rural workforces that have traditionally assisted with rural fire are also declining. This decline was first noted in 1989³⁴ and continues today. Trends like mechanisation and modern work practices mean that the paid workforce available to fight rural fires has decreased.

³¹ New Zealand Fire Service Commission. (2011). *Volunteer Sustainability* (p16). Wellington: New Zealand Fire Service Commission.

³² New Zealand Fire Service statistics.

³³ Radio New Zealand National (Producer). (13 March 2015). *Pressure on fire brigades as volunteer numbers dwindle* [Audio]. Retrieved from <http://www.radionz.co.nz/national/programmes/ninetonoon/20150313>.

³⁴ Hensley, G.C. and others. (1989). *A Review of Rural Fire Services in New Zealand: Report of a Committee established by the Government to review the system for providing fire services to rural areas*. Wellington: Office of the Coordinator Domestic and External Security.



There was a large decline in forestry processing employment from 36,000 in 2002 to 27,000 in 2012.³⁵

On-farm employment has been in decline, with numbers of sheep and beef farms declining by 11,000 (or 23 per cent) to 36,300 in 2012. Further declines in on-farm employment are expected, with on-farm employment declining by a further 6,500 to 29,800 by 2025.

It is a challenge to support the workforce

This issue focuses on the volunteer workforce, both NZFS and rural. The review considered that generally, things were working well for career firefighters.

All firefighters have extensive training requirements to ensure a professional and safe response. This reflects changing expectations around firefighters providing a professional response, and a greater focus on health and safety. The training requirements can however place pressure on volunteer retention.



In the 2011 Volunteer Survey, “an increase in training time required” was the second highest response to the survey question about what would most negatively impact on a volunteer’s intention to stay.³⁶

This suggests that any further increase in training time would risk losing volunteers. Volunteers have limited time, so training and administration requirements need to be achievable and relevant for them.

“The qualifications compliance requirements are a heavy burden on my time - excessively so.”



“Attending training that is not organised. Normal training nights and [then we] do nothing but maybe go and drive the trucks etc.”

- responses in a survey of volunteer rural firefighter’s motivations³⁷

A survey of volunteer rural firefighters’ motivations asked the question about what the firefighters liked the least. The strongest theme was compliance and administration.³⁸ New administration requirements have arisen over time. For example, for those brigades that are charities, there are requirements to meet to maintain their status as a charity. It is also not clear who should support NZFS volunteer brigades’ and Volunteer Rural Fire Forces’ efforts to comply with administration. This lack of clarity shows the problem of lack of coordination and leadership, in considering how best to support volunteer brigades and forces.

³⁵ Bell, B., Grimmond, D., and Yap, M. (2014). *Future Capability Needs for the Primary Sector in New Zealand* (pp8-9). Wellington: Ministry for Primary Industries. Retrieved from www.mpi.govt.nz.

³⁶ New Zealand Fire Service Commission. (2012). *2011 Volunteer Sustainability Report*. Wellington: New Zealand Fire Service Commission.

³⁷ Alkema, A., Murray, N., McDonald, H. (2013). *What motivates people in small rural communities to become Volunteer Rural Fire Fighters?* Wellington: Heathrose Research Limited. Retrieved from www.fire.org.nz. See surveys of 354 volunteers from 50 VRFFs in 10 Rural Fire Authorities.

³⁸ Alkema, A., Murray, N., McDonald, H. (2013). *What motivates people in small rural communities to become Volunteer Rural Fire Fighters?* Wellington: Heathrose Research Limited. Retrieved from www.fire.org.nz. See surveys of 354 volunteers from 50 VRFFs in 10 Rural Fire Authorities.

There is a potential impact on a volunteer's employer if the volunteer attends emergency calls during their work hours. This impact can be greater for those fighting long rural fires.



The employers of volunteer fire fighters receive no compensation for the time that their workers are absent due to volunteer fire brigade activities.³⁹

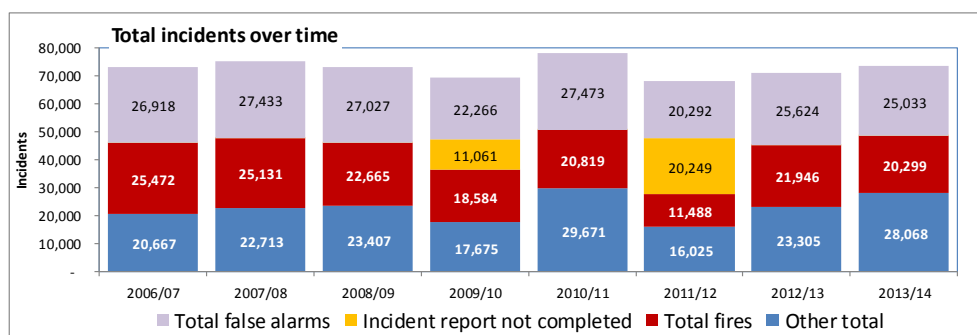
Difficulties with employer support can lead to fewer people volunteering, or volunteers leaving after a short time. Not ensuring employer support shows problems of coordination and leadership, and shows investment that is inconsistent with community needs.

Mixed/unclear responsibilities

The review has found there is a general assumption that the Commission should increasingly fund more of rural fire services, when the legal (and financial) responsibility for all fires in rural fire districts is on Rural Fire Authorities. The Commission has the ability to provide grants to Rural Fire Authorities, but this has come to be seen by some as an obligation. This lack of clarity results from the problem of lack of coordination and variable leadership.

Some parts of the rural fire sector respond to non-fire emergencies. There is no legal mandate for Rural Fire Authorities to do so under the Forest and Rural Fires Act. There is also some uncertainty about how far the mandate for non-fire response extends for NZFS brigades. This shows the problem of changing expectations in society. This issue is addressed in the Swain Report. As noted below, while fire incidents attended by the fire services have been gradually decreasing, non-fire incidents have been gradually increasing.

Figure 9: Total incidents 2006/07 – 2013/14



Source: Department of Internal Affairs from NZFS statistics⁴⁰

³⁹ Rae, A., Snively, S., Zechner, A. (2009). *Describing the value of the contribution from the volunteer fire brigade* (p25). Wellington: PricewaterhouseCoopers. Retrieved from www.fire.org.nz.

⁴⁰ The incident data is initially recorded automatically by the Computer-Aided Dispatch system, and completed by the firefighters who attended the incident. The accuracy will depend on the accuracy of the firefighters in completing details of the callout. Note that in 2009/10 and 2011/12, significant amounts of incident reports were not completed, due to industrial action by NZFS career firefighters. Data from those years should be treated with caution. Also of note is 2010/11, which had a high number of non-fire incidents, due to the Canterbury earthquakes.

The fire services face challenges to be effective

Effectiveness is about being able to deliver the 4Rs well – reduction, readiness, response and recovery. Effectiveness issues for NZFS are:

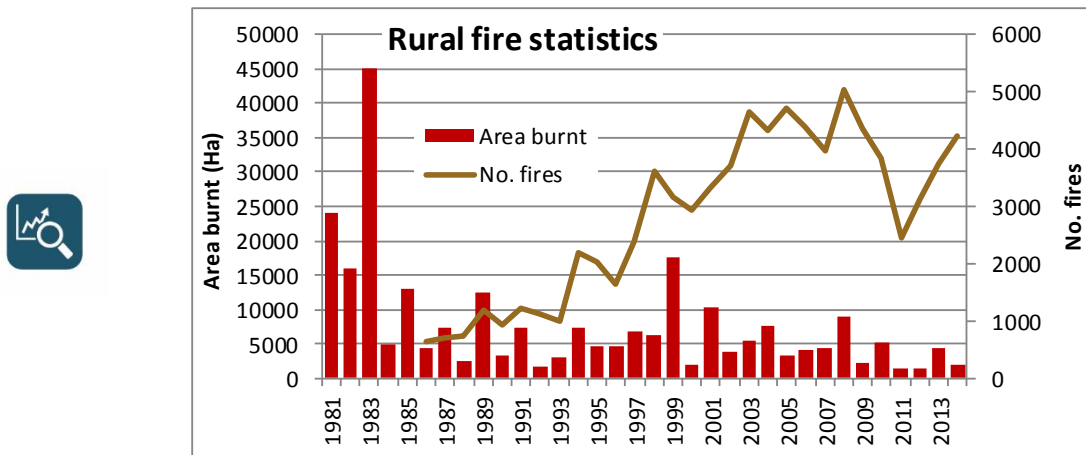
- old prescriptive legislation makes it difficult for NZFS to operate in new ways that could be innovative or more flexible;
- NZFS's risk model is only used to determine the allocation of fire sources (although work is progressing on extending this risk model to rural fires and non-fire responses);
- operational capabilities (skills, equipment and to a lesser extent, the vehicle fleet) are lagging the expectations and responses in some categories of non-fire work, including specific aspects of weather events;
- the NZFS capability operating model reflects a generalist approach but with changing expectations it is becoming increasingly difficult to train everyone to do every job;
- the operational skills maintenance system is too inclusive and risks spreading the focus of brigades and volunteers too thinly;
- the time pressures of area management makes it difficult for area managers to spend time with their brigades;
- procedural complexity has grown over time driven by the expanding scope of services, new procedures and equipment, and health and safety demands. The NZFS is already working to simplify procedures by moving to a more principle based approach to operational procedures and strengthening capabilities to interpret and manage situations;
- the NZFS is data rich but information poor. There are missed opportunities to strengthen the analysis and use of data.⁴¹

Rural Fire Authorities also have some issues that prevent them from being as effective as they could be. They receive very little funding and for this level of funding they provide a solid response for the majority of fires. Rural Fire Authorities tend to be effective for low-level response, but are missing the skills, funding, management and support to be effective across all 4Rs for more complex fires.

There is an increasing number of vegetation fires. This trend and feedback from stakeholders and the MartinJenkins ERFD reports suggest that some Rural Fire Authorities are not as effective at reducing the incidence of fire as they could be. It could equally mean that more fires are reported than previously. While the “area burnt” is shown as reducing, the review understands that the area burnt data may not be accurate so the review cannot assume that the rural fire sector is putting out fires more effectively than in the past.

⁴¹ Gould, C., Tait, R. (2014). *Review of Efficiency and Effectiveness: Report to the New Zealand Fire Service Commission* (draft). Wellington: MartinJenkins.

Figure 10: Rural fire – number of fires and area burnt



Source: National Rural Fire Authority

Less time is spent on reduction than on readiness and response. This puts more pressure on volunteers to be available for response.



The estimated amount of time ERFDs spend on readiness and response activities is 58 per cent (34 per cent on readiness and 24 per cent on response) compared to 32 per cent on activities that reduce the risk of fire.⁴²

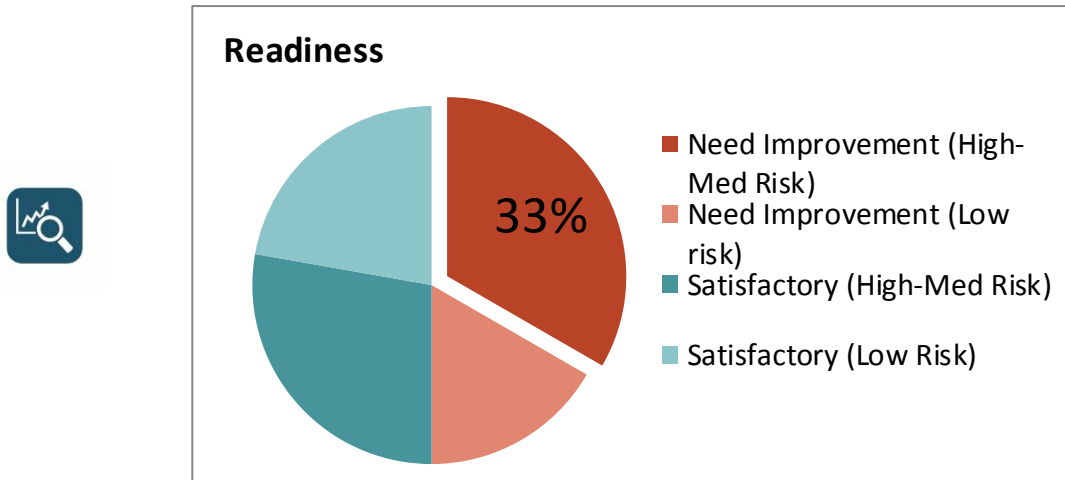
Another concern for effective reduction of rural fire is that there is no national incident reporting system. In terms of readiness, some areas are struggling with old equipment and inappropriate facilities. The age of the rural fire authorities' vehicle fleet is an indicator of under-investment in vehicle assets. Forty-eight per cent of the vehicles used by ERFDs are over 20 years old.⁴³ It is not clear to the review why this underinvestment is occurring.

Figure 11 below shows that 33 per cent of a sample of 19 Rural Fire Authorities in high-medium risk areas "need improvement" when assessed by the National Rural Fire Authority against readiness standards.

⁴² Hunn, N., Ward, R. (2015) *Picture of investment in Enlarged Rural Fire Districts* (p23). Wellington: MartinJenkins.

⁴³ Hunn, N., Ward, R. (2015) *Picture of investment in Enlarged Rural Fire Districts* (p15). Wellington: MartinJenkins.

Figure 11: Sample of 19 Rural Fire Authorities' readiness assessed against NRFA standards



Source: National Rural Fire Authority

None of the Rural Fire Authorities sampled were unsatisfactory overall, but some were assessed as unsatisfactory against a particular standard. In conversations with some Rural Fire Authorities, there is an acknowledgement that it is challenging to make the improvements without better funding, support and information.

Part of being effective is being transparent about decisions when they are made, and consulting with affected groups, if relevant to the decision. ERFDs have raised the issue that it is not clear how or why decisions are made about financial grants from the NRFA to individual Rural Fire Authorities.⁴⁴

The Department could also be more transparent and consultative about the Commission's levy rate. There is no public consultation by the Department on what the fire service levy rate should be. Nor does the levy review process make it clear to levy payers what their levy is contributing to.

The fire services face challenges to be efficient

The fire services would be efficient when they are being effective at the least cost required. This means not spending more than is needed to be effective. It also means not spending so little the fire services are less effective than they need to be. For example the NZFS have a number of business processes, notifications, and approvals requirements that are not well designed and impose unnecessary administrative burdens. Opportunities to streamline business procedures would reduce unnecessary administrative costs.⁴⁵

⁴⁴ Coulon, A., Hill, N., Phillips, T. (2014). *ERFDs: Developing a best practice model*. Wellington: MartinJenkins. Retrieved from www.nrfa.org.nz.

⁴⁵ Gould, C., Tait, R. (2014). *Review of Efficiency and Effectiveness: Report to the New Zealand Fire Service Commission* (draft). Wellington: MartinJenkins.

It is difficult to understand if the fire services are efficient as basic information is not available. The funding of rural fire is complicated, with different groups contributing. Local authorities (as Rural Fire Authorities) can use rates to pay for the 4Rs of rural fire. It appears that local funding has declined substantially since 2009, the last full survey of Rural Fire Authorities' income. Rural Fire Authorities can charge a levy to certain landowners to meet ordinary expenditure. Rural Fire Authorities may also receive funding from the fire service levy through NRFA grants. As a result, the national cost of rural fire is not clear. This reflects the problems of lack of coordination and inconsistent investment in rural fire.

The Government and the Commission have a policy of encouraging the formation of ERFDs. ERFDs are seen as a way to lift both the effectiveness and efficiency of rural fire. The NRFA's Strategic Plan⁴⁶ sets out several efficiencies expected from ERFDs including pooling resources and equipment rationalisation, and matching resources to threats at a regional level.



"In 2012, we had one of the region's worst droughts and a large number of fire starts but less than \$300k in suppression costs. We attribute this dramatic reduction in fire suppression costs from previous years to smarter response strategies".

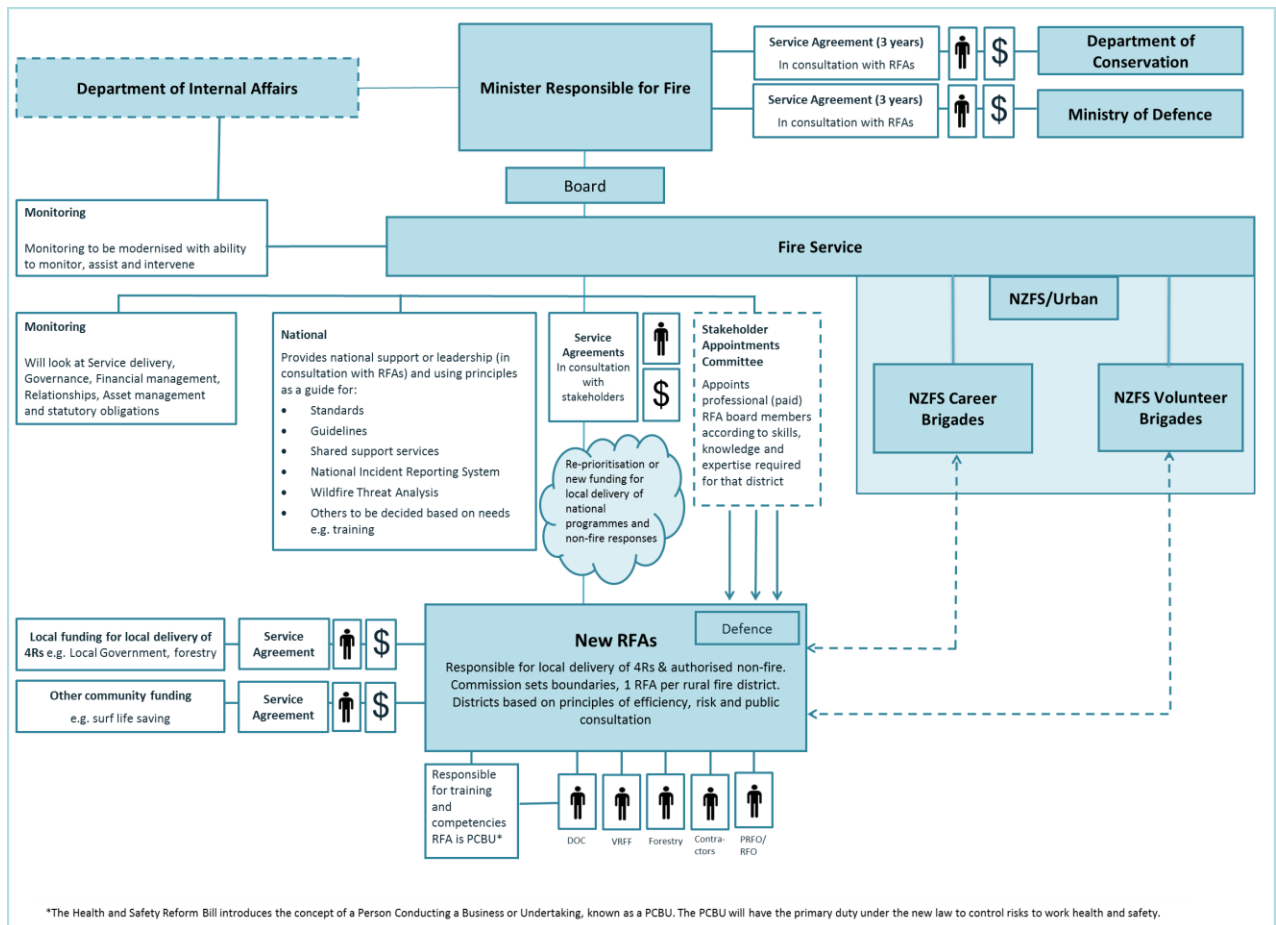
- response of an ERFD stakeholder in the ERFD report⁴⁷

Efficiency is also about using the resources the fire services have wisely. A great resource for the NZFS is its career firefighters. There are opportunities for career firefighters to make good use of the time when they are at work but not responding to an incident, for example by undertaking prevention and education activities, operational policy development and developing risk plans. This is an opportunity, rather than an issue, and relates to leadership supporting and providing guidance to career firefighters in this area.

⁴⁶ National Rural Fire Authority Strategic Plan 2009-2014. Retrieved from www.nrfa.org.nz.

⁴⁷ Coulon, A., Hill, N., Phillips, T. (2014). *ERFDs: Developing a best practice model* (p19). Wellington: MartinJenkins. Retrieved from www.nrfa.org.nz.

Appendix D: Draft governance structure for Option 2: Coordinated service delivery

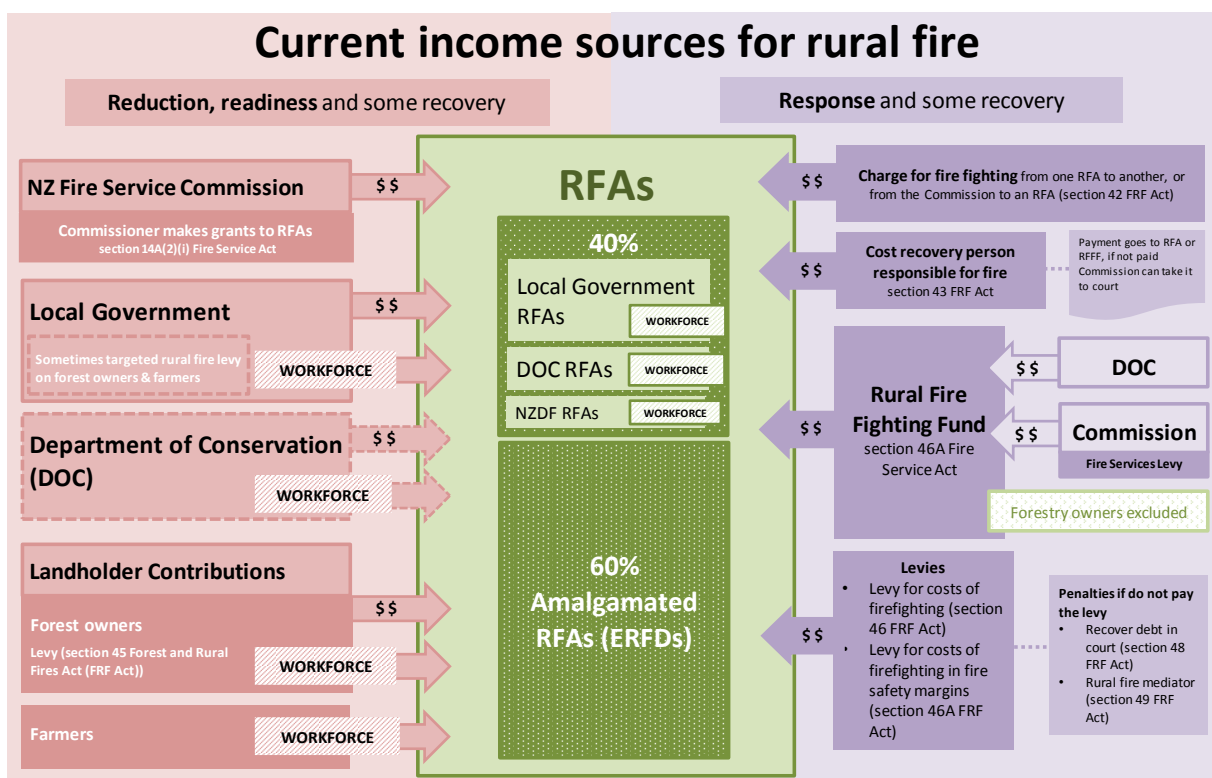


Appendix E: Income sources for rural fire

Local funding in rural fire districts is paid for by local government, Department of Conservation, forest owners, and in some very limited cases the New Zealand Defence Force. It is difficult to gather accurate information about local funding amounts. BERL estimated that from 2002 to 2007 suppression costs were \$46 million.⁴⁸ It seems that suppression costs have declined since then. The total income for the 12 ERFDs that replied to the survey was \$11.7 million rather than the expected \$23 million (based on these ERFDs covering roughly half of the country).⁴⁹

The current local funding model splits the funding for reduction, readiness, and recovery from the response (suppression). The Rural Fire Fighting Fund pays the Rural Fire Authority's response costs until the costs can be recovered from the person responsible for the fire. In theory, this reduces the incentives on the Rural Fire Authority to lower the cost of fires through good reduction and readiness. In practice, all Rural Fire Authorities work hard to fight fires the best way they can.

Not all costs are recovered from the person responsible for the fire. In the last five years the total costs claimed on the Rural Fire Fighting Fund was \$14 million. The NRFA recovered \$1.5 million of these costs but spent \$500,000 trying to do so. Some costs are also recovered directly by the Rural Fire Authorities (the easy claims) or the Rural Fire Authorities meet the cheaper fire costs (claims less than \$1500).



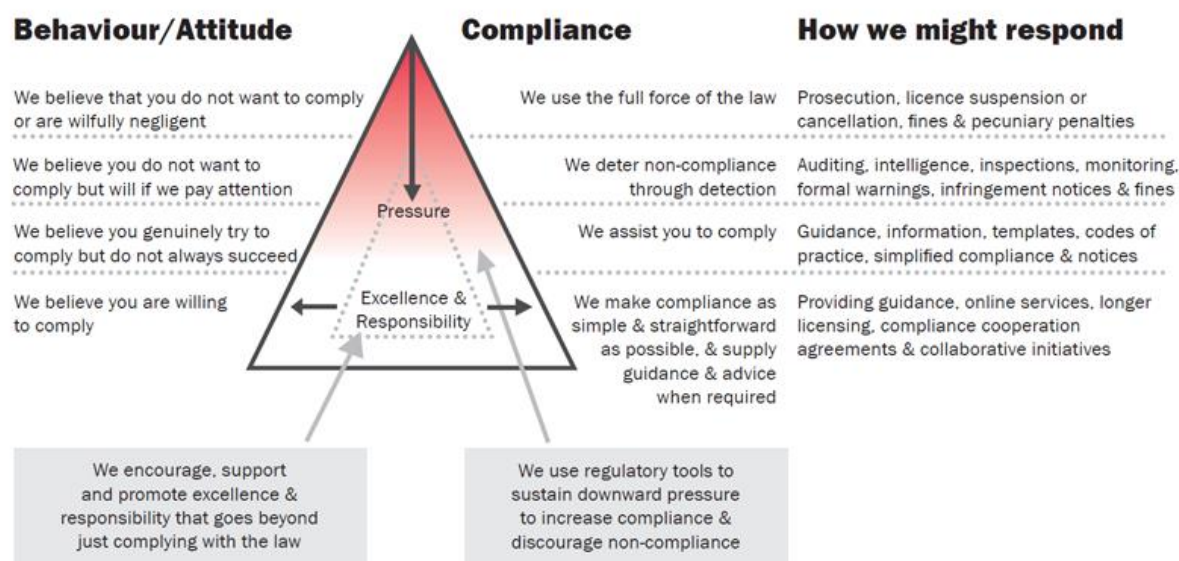
⁴⁸ Kaliyati, W., Sanderson, K., Wu, J. (2009). *The Economic Cost of Wildfires* (pp4, 26). Wellington: Business and Economic Research Ltd (BERL Economics). Retrieved from www.fire.org.nz.

⁴⁹ Hunn, N., Ward, R. (2015) *Picture of investment in Enlarged Rural Fire Districts* (p28). Wellington: MartinJenkins.

Appendix F: Best practice for compliance

Figure 12 below shows a diagram suggesting best practice for ensuring compliance.⁵⁰ We do not have research on rural fire compliance but would expect that most individuals and organisations are willing to comply by not causing a rural fire or allowing lit fires to escape. Some will comply reluctantly and even less will not comply at all.

Figure 12: Expected numbers of people with different attitudes to compliance and the type of responses that are appropriate for each group of people



The responses available to Rural Fire Authorities or Principal Rural Fire Officers (PRFOs) do not match the responses to the level of compliance as shown in Figure 12. For example, the current compliance tools in the Forest and Rural Fires Act do not enable Rural Fire Authorities to steadily escalate response with action. At the moment there is no auditing, intelligence, inspections, monitoring, formal warnings, or infringement notices. At this phase of the triangle there are only fines and these are seldom used. Many PRFOs and Chairs of the ERFDs have spoken to us about their frustration about not being able to issue an infringement notice.

Cost-recovery is a very punitive tool that captures people across the triangle, including at the bottom. Ordinarily, having such a punitive response for people that are willing to comply would be considered unfair because the tool is out of step with the behaviour.

As with other aspects of rural fire, there is a national gap in that there is no national compliance strategy to rural fire. There is probably not enough information available to enable Rural Fire Authorities or PRFOs to have the insight, knowledge, and understanding to identify risks and determine interventions to most effectively deal with those issues. National systems like a national incident reporting system would help with this.

⁵⁰ This diagram has been developed by the Department of Internal Affairs. Retrieved from <http://www.dia.govt.nz/Minimising-Harm-Maximising-Benefit>.

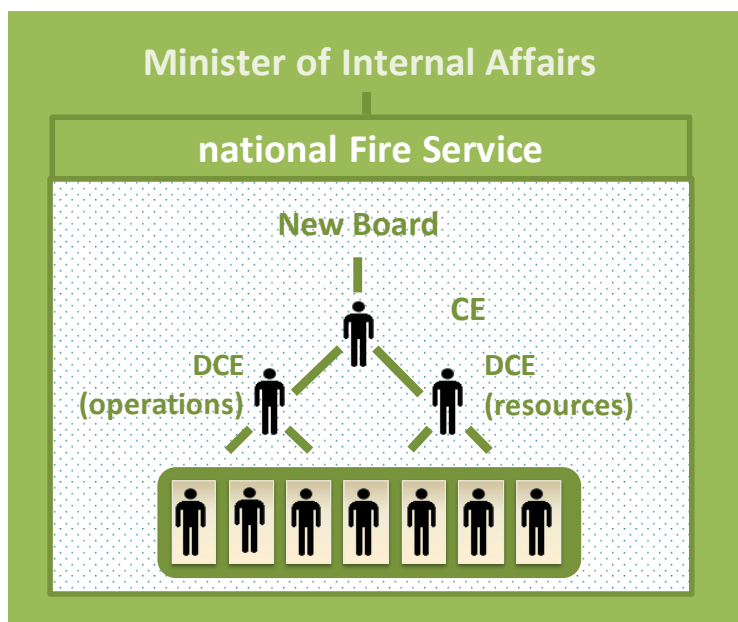
Appendix G: Options for organisational structures for Option 3: One national fire service

This review has identified two potential approaches to structuring a unified organisation. It would be up to the new national Fire Service to decide how to structure itself. In practice, there is likely to be ongoing consultation on how the new organisation should be structured. In appointing the Board, the Minister of Internal Affairs would need to have regard to the extent which the new national Fire Service requires skills and experience in relation to urban and rural fire services.

The full amalgamation structure breaks down the cultural differences by placing equal value on rural firefighters and urban firefighters. The right people would be selected for the job based on their skills and knowledge. The Chief Executive would have all the powers necessary to respond to large scale fires and emergencies. The Deputy Chief Executive roles would split the senior management of the new national Fire Service into the operational function and the resources/corporate function.

The Deputy Chief Executive Operations would lead a team of senior managers responsible for particular regions. The team could also include some specialist functions, such as managers who are responsible for national coordination of reduction, response and vegetation fire. The Deputy Chief Executive Resources would lead a team of senior managers responsible for resources and corporate needs, such as training and development, human resources and finance.

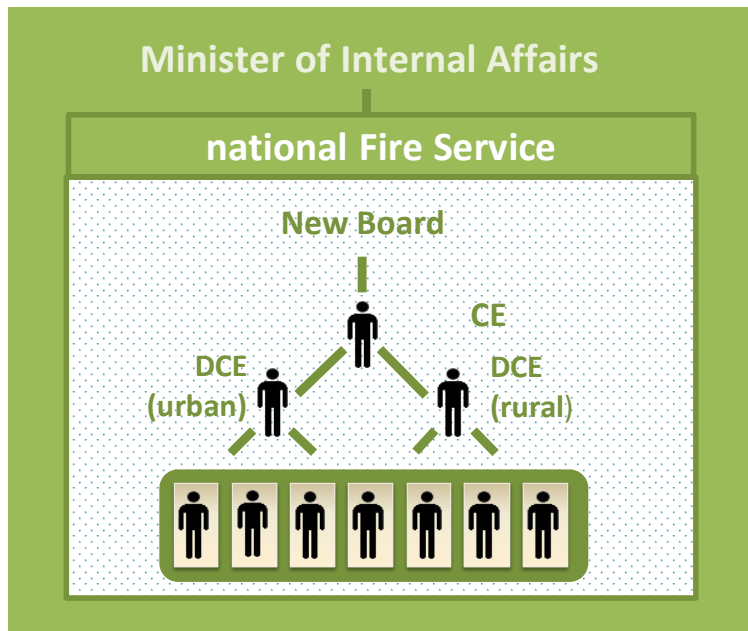
Figure 13: Structure of Option 3 – first option



An alternative structure would be to split the senior management of the new national Fire Service into the urban function and the rural function. The Deputy Chief Executives would each be in charge of the urban and rural arms of the organisation. This structure could

provide a softer transition to the new national Fire Service for the NZFS and rural fire workforces. It feels more comfortable and everyone feels valued because they can see where their skills and knowledge fit in the new national Fire Service. The diagram at Figure 4 is based on this governance structure and it is repeated below at Figure 14.

Figure 14: Structure of Option 3 – second option



It is possible that because of the different cultures it would continue to be hard for some individuals to work together across the organisation to respond to community needs in the most effective and efficient way when they continue to stay focused on “their patch”. Separating the vegetation and the urban fire mandate in an organisational structure is also difficult because a lot of 4Rs fire work crosses these mandate boundaries – for example whether a rubbish fire is an urban response or a vegetation response.

It can be useful to consider fire and rescue organisations in other countries. The Department’s research has found that many fire services (in Australia, Canada and the United Kingdom) are facing funding issues and issues to transform old structures to meet the changing demands of the public.

Internationally, there is a trend towards greater integration – but this means different things. It can mean integrated legislation, integrated structures, or better collaboration and cooperation. Every jurisdiction goes about it differently, depending on participative outcomes on reform, their different approaches to overcoming different cultures and operating practices, how they decide the best way to retain the original identities of the organisations being integrated, the level of political support, and what all parties consider realistic with most leaning towards evolutionary change.

The international context tells us that there is no one way to reform fire services or structure a new national Fire Service. These types of changes are best made in a participative way. So, in this option, the review would work with local communities and stakeholders to identify the best structure that would meet their needs and community risks. The review would also need to work with the workforce to identify the best structure that would support and fund them so they can serve their local communities. Organisational structure would not be set in legislation, so this should be the start of a conversation on how you think a new national service should be structured to best support and fund the workforce and the local communities. It should continue after the legislation is in place when the national Fire Service would be working out how to implement any changes made by the legislation.

Appendix H: Discarded options for funding the Commission

Levy on property values

One of the main alternatives to an insurance-based fire levy could be local government collecting a levy on the improved value of property. Local government could collect this levy at the same time as it collects rates.

When compared to an insurance-based levy, this option does have several advantages:

- providing a stable funding base;
- avoiding distortions to the insurance market; and
- avoiding administrative problems associated with an insurance levy (e.g. the timing of some insurance payments comes after the fire service levy is due, which exposes insurance companies to interest costs and penalties for late payment from the Commission).

Many Australian states have moved from insurance-based levies to a mix of property-based levies and state funding over the past 20 years. However the main reason why Australian states have made this decision is because of significant under-insurance and non-insurance in Australia. In New Zealand, rates of insurance are higher and the primary benefit of moving to a property-based levy (reduced 'free-riding') is less likely to eventuate.

Further, there are many administrative and practical issues associated with a property levy that resulted in it being rejected as a policy option. The funding base for property is narrower than under the status quo. Contents and motor vehicles are not covered by rates. In commercial property, the contents can be highly valuable, even more than the buildings. If using local government valuations, it would make sense to align the types of properties where the levy is collected with the types of properties that are subject to rates. If so, there are many insured properties which are subject to the current levy, which would be exempt from a property value. Some examples are Crown property, churches and marae. This means a property funding model could shrink the funding base.

There would be significant transitional costs. A new system for collection and administration would need to be set up. This would be complicated because local authorities construct and maintain their rating databases separately.

Currently, local and regional government are free to construct and maintain their own rating databases as they see fit. As a result there is no national property database on which a consistent fire rate could be based. If a property-based levy was to be introduced, then the Commission would have to engage with many different ratings authorities to help decide a levy rate. This would involve significant administrative difficulty and cost. Further, the Commission would have only limited assurance that it would be applied on a consistent basis. This makes it unfair because the amount charged would vary based on how different rating authorities calculate property values rather than for any other reason.

Local authorities are likely to oppose what the public may perceive as an increase in rates, when local authorities would have no influence on how the funding is spent by the Commission. If local authorities did have influence on how the funding is spent, it would undermine the advantages of a centrally-managed Commission.

Local government has already been encouraged by central government to restrict its focus to its core activities. Collecting the fire service levy does not align with core activities for local government.

The review considers that a property-based levy suffers from significant problems, and should not be considered as an option for reform to the status quo. This is consistent with the Swain Report, which did not recommend any further work on this option, given its shortcomings. It should be noted, however, that the Terms of Reference for the Fire Review Panel was slightly restrictive in that the Panel should “identify future funding options, based primarily on a levy on insurance contracts”. While this did not prevent the Panel considering a property-related model, it did focus the Panel on an insurance-based model.

General taxation

Another alternative to an insurance-based funding model would be for all funding to be paid from general taxation. The level of funding for each year would be agreed in advance by Ministers and appropriated by Parliament through the annual Budget process. This is how most Government departments and many Crown entities are funded.

When compared to an insurance-based levy, this option does have several advantages:

- it ensures that all taxpayers are required to contribute;
- it removes the confusing legislation that has given rise to possible levy minimisation;
- it would be highly cost effective, as the government would be able to use its existing tax revenue collection systems;
- it would be relatively stable and predictable when compared to an insurance levy on premiums; and
- funding decisions would be subject to Treasury scrutiny, potentially increasing the Commission’s accountability and efficiency.

This option would require a large annual appropriation funded out of Crown revenues. For example, the current fire service levy raised \$339.44 million in 2013/14. Ministers have decided that the Government will not pursue further investigation into this option as part of this review process.

Appendix I: Glossary

Term	Meaning
4Rs	Four pronged service based on reduction, readiness, response and recovery (see the explanation in this document under the subheading “Our fire services should serve our communities” within the section “What should our fire services look like?”).
Board	Board of the Commission, governance entity. Under each of the three options, there is a Board, though the organisation underneath is different.
cap	Maximum amount/value on which the fire service levy can be calculated.
career firefighters/NZFS career firefighters	Paid staff employed as NZFS firefighters.
Commission/New Zealand Fire Service Commission	The Crown entity responsible for coordination of fire safety throughout New Zealand, governance and operation of the NZFS and coordination of rural fire management (in its role as the NRFA). Name used under status quo and Option 1.
Department of Internal Affairs/Department	The Department responsible for advising the Minister of Internal Affairs on matters relating to the fire services, including advising on fire services’ policy and legislation. The Department also provides advice to the Minister about the performance of the Commission and the suggested levy rate for the fire service levy.
Emergency Services’ Coordination Group (the Chief Executives’ Forum)	Chief Executives’ group established to provide strategic coordination and leadership to the emergency services sector.
Enlarged Rural Fire District(s) (ERFD/ERFDs)	Areas where Rural Fire Authorities have amalgamated to form an Enlarged Rural Fire District, governed by a rural fire committee.
Fire Service Act 1975	Legislation establishing the Commission (including in its capacity as the NRFA) and NZFS for the protection of life and property from fire and certain other emergency services.
fire service levy	Levy, payable on insurance against the risk of fire, to fund the Commission (including the NZFS and NRFA).
fire services	All fire services in New Zealand, including NZFS and Rural Fire Authorities.
Fire Review Panel/Panel	Panel appointed in 2012 to provide independent advice to the Minister of Internal Affairs on New Zealand’s fire services.
first loss	Under first loss arrangements, multiple properties owned by the insured party are covered under one insurance policy, and the amount for which the properties are insured is set at the maximum potential single loss.

Term	Meaning
Forest and Rural Fires Act 1977	Legislation establishing Rural Fire Authorities, and 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.
indemnity value	The value of an item/property, taking into account its age and condition. Currently used to calculate the fire service levy for non-residential property owners.
insurance premium	How much the insurance policy costs, i.e. the amount the property owner pays for insurance cover.
National Commander	Operational head of NZFS.
National Rural Fire Authority (NRFA)	The Commission in its role as the body responsible for coordinating rural fire management by the Rural Fire Authorities.
National Rural Fire Officer	The Commission's person responsible for advising on and ensuring national rural fire coordination.
new Fire Service	The organisation under Option 2.
new national Fire Service	The organisation under Option 3.
new Rural Fire Authorities	The new authorities for rural fire districts under Option 2.
new Rural Fire Authority Boards	The new Boards under Option 2 which govern the new Rural Fire Authorities and would be comprised of professional Board members.
New Zealand Fire Service (NZFS)	The New Zealand Fire Service, the operational arm of the Commission responsible for carrying out the Commission's fire safety functions, and urban fire and other emergency responses in urban communities and rural towns. It also provides administrative support (through national headquarters and regional offices).
Principal Rural Fire Officer (PRFO)	Officers of Rural Fire Authorities, who manage fire control and respond to fires in a rural fire district.
rural fire/rural fire sector	The rural fire system that provides services operating in rural communities (whose prime focus is managing vegetation fire risks), along with the parties who provide those services and/or have an interest in those services.
Rural Fire Authorities	Authorities that administer and are responsible for fire control in rural fire districts or other areas, including the Minister of Conservation, the Minister of Defence, rural fire committees, and local authorities.
rural fire districts	Areas where Rural Fire Authorities are responsible for fire control.
Rural Fire Fighting Fund	Fund the Commission operates for helping Rural Fire Authorities meet the cost of fire control and legal proceedings to recover costs of fire responses.
Rural Fire Forces	See Volunteer Rural Fire Forces (VRFFs) below.
split tier	Arrangement where one contract covers fire risk and is subject to the levy, and another contract covers all other risks and is not subject to the levy.

Term	Meaning
Statement of Performance Expectations	Annual statement required under the Crown Entities Act 2004 outlining what the Commission intends to achieve and how its performance will be assessed.
sum insured	The maximum amount payable under an insurance contract.
Swain Report	Report provided to the Minister of Internal Affairs by the Fire Review Panel, which Hon Paul Swain chaired.
urban fire districts	Areas where NZFS is responsible for fire management.
Urban Search and Rescue (USAR)	NZFS managed taskforce that include people with a wide range of skills, including firefighters, search and rescue dog handlers, communications experts, engineers, other technical experts, doctors and paramedics.
Vision 2020	Commission's vision of leading integrated fire and emergency services for a safer New Zealand, which it wants to achieve by 2020.
Volunteer Rural Fire Forces (VRFFs)	Rural Fire Forces that are staffed by volunteers.