# IAG Submission to the Fire Review Panel on the Funding of New Zealand's Fire Services.

19 September 2012

# Introduction

This submission articulates the IAG New Zealand Group's ('IAG') views on the funding of New Zealand's urban and rural fire service (the 'Fire Services' or 'Services').

In this submission IAG argues for the removal of the Fire Service Levy ('Levy') from insurance products.

Naturally the future function and form of the Fire Services needs to be established before the best funding model can be identified. Nevertheless, IAG believes that the Services are a public good and as such, irrespective of the the Terms of reference, should be funded though general taxation. Given that option is unavailable, a funding model based of rates and vehicle registration is favoured.

IAG is keen to discuss with the Fire Review Panel ('Panel') the points we raise.

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# Overview

## Summary

The Government has established the Fire Review Panel to provide independent advice on reform of the New Zealand Fire Services. The functions performed by the Services and the operating platform; the effective and efficient organisation of the Services; and the funding of the Services.

IAG welcomes this review as the update of the operations and funding of the Services is long overdue. Indeed two previous reviews, in 2004 and 2007, have covered similar ground and not led to change. IAG's fervent hope is that this review will be different in that respect.

Effective fire reduction initiatives and fire response are essential outcomes and worthy foci of this review. Ensuring a uniform standard of service across the country backed by appropriate and reliable funding is essential to manage a key risk to our built and social environments.

However, IAG is most interested in how the Services are funded. The current model has many, widely understood shortcomings that need to be addressed. Because of this we have limited our comments to the funding model

In this submission IAG hopes to convince the Panel that the current, predominantly insurance-based funding model should be replaced. There are many reasons for this.

First, the model is unstable. There is an increasing disconnect between the sources of funding and the incidents attended; a reducing base of people who fund the Services; and the model has an inherent risk of funding gaps.

Second, the model is inequitable. Not all people who the Services attend pay for the service; the range of incidents the Services attend do not relate to insurance; the amount paid does not reflect the underlying risk; the amount paid also does not reflect usage; and it is subject to considerable avoidance.

Third, the model is inefficient. Considerable effort is required by the Commission and Insurers to apply, oversee and enforce the model due to its complexity.

Fourth, the model has four negative externalities. It does not support fire risk reduction; it reduces the affordability of insurance; it reduces economic growth; and it increases the risk to the public purse.

A range of alternative models exist could replace the current model. Naturally the future functions and form of the Services need to be articulated first, to allow the best funding model to be identified. That notwithstanding, IAG believes the future model will need to be predominantly based on central and or local government funding.

We recommend a second round of consultation is used to identify the best alternative funding model and consider the associated transition issues.

## The Fire Service: a public good

New Zealand's Fire Services, like the Police and Defence Force are essential public services for all New Zealanders. The Services have evolved from a model of insurance company funded fire companies. This experience showed that fire services are more efficiently offered as a natural monopoly that is able to maximise the benefits of a network of fire stations.

No New Zealanders would let other New Zealanders be denied the protection of the Services. Similarly it is not is not acceptable for one person to "opt out" – fires can spread. And although the Services are congestible at some level of demand, their use by one person does not limit their use by another. This fits the definition of a 'public good' and, as noted by the Treasury in its guidance, "there is a good case for recovering the costs of a public good from the community as a whole, either by general taxation, or (where the benefits are localised) from local government revenue".

IAG believes that as public good shared by all New Zealand, it should be funded to the greatest extent by all New Zealanders. As such the decision to remove - through the terms of reference, the option of funding the Services through general taxation is short-sighted. It is the funding model most likely to meet all the requirements set out in the terms of reference. It leaves the Panel having to consider the sub optimal question of 'how do we fix the problems of the current funding model?' rather than the better question of 'what is the best way to fund our fire services?'.

## Previous Fire Reviews

The current funding model for the Fire Service is widely recognised as having faults in its design and operation. Reviews initiated in 2004 and 2007 by the Department of Internal Affairs highlighted the shortcomings of the model established in the Fire Service reforms of the mid-1970s.

Those reviews did not translate into change. In its Briefing to the incoming Minister, the Department commented that "Longstanding attempts to reform the legislative framework for fire services to better protect life and property came to a halt in 2008 due to a lack of consensus among stakeholders, particularly in relation to the future direction for rural fire management".[1]

Despite this, a clear consensus formed on the need to change the funding model. Naturally there were concerns amongst major asset owners (central and local government) about the financial impact of funding reform. Nevertheless, two alternative models found favour; funding via general taxation or via property taxes and motor vehicle registration.[2] Yet the current model and its shortcomings remain.

IAG is concerned that in seeking to achieve reform of the function and form of the Services, their funding will not receive due attention. IAG urges the Panel to ensure that this opportunity to replace the current funding model is not lost.

## Funding expectations

Reform of the Services must ensure the standard of service across the country is maintained, if not improved or made more uniform. Indeed no community would expect to see or accept a decrease in the provision of fire and rescue services to their area as a result of this reform.

The reforms will seek operational efficiency through an improved operating model; however, few major public sector reforms and mergers have produced significant savings. Indeed implementing a new operating model will come with additional costs, for example capital investment in equipment for the rural service.

This would suggest that there will only be upward pressure on the cost base over the coming years. This must be kept in mind when considering the following sections.

# Assessing current Fire Service funding

The funding of New Zealand's Fire Services must to the greatest extent practicable meet a set of principles that define a fair and cost effective system. It is not difficult to articulate these principles; they have been articulated in the aims and objectives raised on this topic in previous reviews, the current terms of reference and Treasury guidance on the setting of charges by the public sector[3].

The funding model must be stable, equitable, efficient, and ensure that its indirect impacts (its externalities) are positive.

The following sections deal with each of these principles, describing them and assessing the current funding model against them.

## A stable funding model

*Principle*

The funding model must provide a sufficient and sustainable source of funds for the Fire Services. To that end it must:

- source funding from a population that is financially able to support the cost of the Fire Services;
- enable funding to rise and fall in line with the volume and mix of incidents the Fire Services attend; and
- provide a predictable flow of funds to support the capital and operational expenditure of the Fire Services.

IAG believes the current funding model falls short of meeting this principle.

It has been stated in previous reviews that an insurance-based approach has "provided a sufficient source of funds to meet the growing requirements of urban fire services" [4]. It is true that revenue from levy income has accounted for a relatively stable 94-96% of income over the past 5 years, some $309m in FY11.

A stable annual income is not enough however, when demand for services can't be managed, the flow of funds is lumpy and the Commission can't raise debt. This high percentage of funding that comes from insurance shows a concerning dependency on consumers to voluntarily enter the insurance market.

Indeed the demands on the service suggest that the fire service has, and will continue to struggle with the existing model. The Commission's 2011 and 2012 Briefings to the Incoming Ministers state that it is "forecasting significant operating deficits in the next few years which combined with the need to retain substantial reserves on the balance sheet renders funding reform critical". [5][6] This is reflected in the Panel's terms of reference.

There are three reasons for the current model's instability: an increasing disconnect between the sources of funding and the incidents attended; a reducing base of people who fund the Services; and an inherent risk of funding gaps.

It is therefore inappropriate to fund a core emergency service from a levy applied to a changing, voluntary commercial market.

### *An increasing disconnect between activity and funding*

The incident statistics for the Services show increasing non-fire activity, yet funding is linked for the most part to fire insurance policies. This gap is widely acknowledged and recognised in the Panels' terms of reference. As volumes of activity increase, for example the Christchurch and Japanese search and rescue activity the Commission noted to the select Committee, funding does not change, creating shortfalls and necessitating the Commission to call on its reserves.

### *A reducing insurance base*

New Zealand is seeing reduced levels of insurance and therefore the number of people funding the Services. The level of home insurance - which accounts for 46-48% of levy income, has reduced by 2% since 2008.[7] This can be expected to continue as premium increases driven by higher reinsurance costs flow into the market and economic pressures remain on households. Premiums have increased by 30-50% over the past year and are expected to increase a further 30% next year.

This economic pressure is also causing car owners to reduce or remove fully the insurance cover they have on older vehicles and is increasing the 12% non-insurance and 20% under-insurance of contents.[8]

The commercial insurance customers have also seen significant price increases, with much the same impact on levels of cover. In addition the Government – as a result of the Canterbury earthquakes, raised the extent to which commercial building must meet the building code. This will put pressure on the insurability of some commercial buildings, potentially leading to a loss of cover or premium increases; both having negative impacts on the amount of levy collected.

In combination this is reducing - and will continue to reduce, the base from which the Services are funded. These reductions can be off-set by increases in the levy rate – as in 2009. However further levy increases merely exacerbate the equity and externality concerns outlined below and risks creating a negative spiral of price increases and reducing insurance penetration.

As the built environment continues to grow we can expect the number of incidents the Services attends to grow. Yet the number of funders is not keeping pace, putting further pressure on the Services' finances.

### *Funding shocks*

The system is also subject to occasional funding gaps. These gaps can be caused by sudden spikes in incident volumes as seen with the disasters over the past years. They can also occur with operational and market-driven changes to insurers' policies and systems.

One such example occurred when IAG moved a book of business to a new insurance system that led to annual policies paid by instalments (for which the full levy is paid to the Commission upfront) becoming monthly renewal policies (where the levy is paid in instalments).

These types of changes, plus others with the potential to disrupt the flow of funds to the Services are a feature of the insurance market.

## An equitable funding model

### *Principle*

The funding system must fairly charge all those who may potentially benefit from the Fire Services (or those who would be adversely affected if it did not exist). To that end it must:

- ensure that the funds are collected from individuals or segments of the population who are likely to use the Fire Services; and
- minimise avoidance.

IAG believes the current funding model falls well short of meeting this principle.

The inequity of the current model has been well documented by earlier reviews and is a major factor behind model changes in other jurisdictions, most notably Australia. Oddly is it discussed only as an aim, and not acknowledged as a fact in the Panel's terms of reference.

There are five reasons for the inequity of the current model: not all people who the Services attend pay for the service; the range of incidents the Services attend do not relate to insurance; the amount paid does not reflect the underlying risk; the amount paid also does not reflect the quantum or quality of the services received; and it is subject to considerable avoidance.

### *A fire service for all paid for by some*

At present the bulk of the Services are paid for by those who choose to insure their property, cars and or commercial premises, stock and plant, making it a voluntary decision to fund a core public service.

While it used to be the case, the Services do not refuse to service those who do not insure. Indeed it would be highly undesirable for them to do so. This creates a situation where some directly receive the benefit of a service they do not pay for.

As noted above the number of people choosing to underinsure or not insure is increasing as a proportion of the population. Over time this will only exacerbate the current inequity.

Another way of looking at this inequity is that those who do insure are overpaying for the services they receive, reducing the amount they might productively spend elsewhere. Modelling undertaken for the New South Wales Treasury, by KPMG Econtech in 2011, suggests that welfare costs from insurance taxation could be considerable:

*"The value to consumers of insurance and other services forgone as a result of the emergency services levy has been estimated at about $419 million. That is, in addition to the direct $698 million effect of higher premiums on those who buy insurance, the emergency services levy has flow-on costs to the economy equivalent to 60 per cent of the revenue raised. The average excess burden of the emergency services levy is 60 per cent of the revenue raised..."*

Although further local analysis is needed – and would no doubt deliver different values, IAG expects that most homeowners would be better off under an alternative tax-based or rates-based model.

### *More services than just fire response exacerbates the inequity*

This base inequity is exacerbated by the broad range of incidents attended by the Services. At present while 70% of fire service incidents might be connected to property that can be insured, only 23% are related to fires.[9]

Incidents that do not relate to insurance include; vegetation and miscellaneous non-structure fires; rescue, emergency and medical incidents; and special service calls. Over time these non-fire services have grown as a proportion of the services work, further reducing the equity of the system.

A broadening of the insurance base – as proposed in the 2007 review, would not materially address this imbalance.

### *Amount paid does not reflect the underlying risk*

The fire service levy applies to all insured property regardless of the fire risk present or past use of the Services. For example, the fire-related premium for the total replacement of a timber yard, compared to that for a modern office building with sprinklers and fire protection systems would be significantly different. This is because insurers assess the level of risk of those properties. Yet if they had the same sum insured, they would pay the same levy.

This is also the case for the insurance premium on houses, where, for example, the location, construction and occupancy of a house are used to determine the premium associated with fire risk (c.$9 for the average home).

Perversely this means that the levy makes up a larger proportion of the insurance premium for properties with lower fire risks.

### *Amount paid does not reflect services received*

Because home owners must pay Council rates they fund rural fire services. If they insure their home, contents or car they also fund the urban fire service.

Home owners in urban areas therefore pay for two services, yet will only directly benefit from one (the broader benefits of fire safe rural areas notwithstanding). Rural home owners also pay for two services and receive the benefit of one, but the service they receive will typically be less responsive, making the current model more inequitable for rural home owners.

*Significant avoidance*

The current funding model features avoidance by certain parties through under insurance and non-insurance.

Many property owners, including the Central Government and Local Authorities, do not pay for the Services because they self-insure (the payments to the rural service by the Department of Conservation notwithstanding). Indeed, much government-owned property, including Housing New Zealand property, is self-insured by the government.

The government's minimal contribution to funding the Services is unfair to the majority of insured New Zealanders who do contribute. Some government agencies even pay what they believe they *should* pay as a gesture to overcome suggestions that they are not paying a government tax. It has also been argued in the past that the government's non-taxation of the Commissions reserves is a source of funding. That may be so, but it seems a perverse and inefficient legislative outcome.

In addition, where insurance is in place, a significant proportion of large entities are able to tier or structure their policies in such a way that the levy does not impose a high cost.

One approach sees those seeking insurance forming a group under a collective insurance policy. The insurance is then capped at a level that is far below the actual values of the collective properties insured, but which is sufficient to ensure that if any individual claimed in a year, it would cover the value of their property. It works on the principle that it is very unlikely that there will be multiple claims in any one year that exceed the insurance limit. The levy is then paid on the level of insurance rather than value of property.

The Fire Service Commission and the Insurance Brokers Association has taken a test case to court regarding the interpretation of the Fire Service Act and arrangement like that described above; an indictment on the current model.

## An efficient funding system

*Principle*

The funding model must minimise its costs to operate. To that end it must:

- use a fee structure that is simple to calculate;
- be efficient to operate and update;
- be straightforward to comply with; and
- be easy and efficient to enforce.

IAG believes the current funding model falls short of meeting this principle.

The complexity of the current system is the reason for the current model's inefficiency.

*A complex model*

The complexity of the insurance markets and all its associated products has necessitated a funding model that includes detailed rules and exemptions. For example establishing gross laden weights and or indemnity values is a complicated and time-consuming process for customers, insurers and brokers. This adds unnecessary complexity to the system and requires considerable effort to apply and maintain.

Over time insurers have had to invest significant amounts in technology and expertise to support the current funding model. This compliance cost is far in excess of that faced by other industries, one that exists solely because insurers are required to collect a tax for the Government.

Insurers are not reimbursed for the service they provide in collecting the levy, presumably on the basis that they are seen to benefit from the Services. The costs are simply passed on to all policy holders. In comparison the insurers retain 2.5% of the EQC levy collected to contribute towards the cost of operating the model.

The complexity of the system has also required the Commission to adopt a strong oversight model to ensure the correct calculation, collection and payment of levies. IAG is currently subject to monthly testing of selected high-value commercial policies and an annual audit. Again for comparison purposes, the EQC does not impose this level of oversight for its (simpler) levy.

In addition to the oversight, the Fire Service Commission imposes an unnecessarily strong enforcement regime, with harsh penalties for any late or incorrect payments. There is no ability to challenge the Commission except through the High Court; in most cases a cost prohibitive course of action.

The current model also leads to the Commission investing its resources to chase avoidance, as in the current case with the IBANZ.

## A funding model attuned to its externalities

*Principle*

The funding model should minimise indirect and negative impacts on society. To that end it must:

- encourage improved management of fire risk in New Zealand; and
- reduce demand for the Fire Service;

IAG believes the current model falls well short of meeting this principle.

The externalities associated with an insurance-based system are entirely negative. There are four: the model does not support fire risk reduction; it reduces the affordability of insurance; it reduces economic growth; and it increases the risk to the public purse.

*No incentive to reduce fire risk*

The role of insurance includes indentifying and informing others of where risk resides and reflecting the level of risk in the premiums it changes. This 'pricing signal' helps incentivise risk reduction activity while also protecting the financial health of the insurer though accurately pricing for risk.

The current model does not allow the pricing signals inherent in premiums to work effectively as the levy is typically many times larger than the premium relating to fire risk and is not correlated to the fire risk of the underlying asset (as noted above).

Worse the levy in combination with the EQC levy and GST account for 36% of the premium – some $350, charged for a typical home insurance policy. This 'deadweight' drowns out the pricing signals for most risks covered by the policy, eliminating the risk reduction incentives insurance is meant to provide.

This is not the same for commercial insurance, which might help explain the avoidance behaviour described above.

### *Reduces the affordability of insurance*

The 'deadweight' taxes on insurance described above directly contributes to the leading cause of non-insurance and under insurance; affordability. Research shows that 62% of customers without insurance do not have it due to its cost.[10] This is particularly pronounced in lower socio-economic groups, arguably those least able to cope with the loss of a significant asset.

Perversely, it can also reduce the quality of the insurance cover some businesses put in place as they seek to manage costs (and reduce the levy), rather than provide the best cover for their risks.

### *Increases the risk to the public purse*

Customers that can afford to insure their assets will prioritise their insurance covers to fit within their budget and risk appetite. This results in conscious decision to underinsure and the drop other types cover, e.g. life, health and motor vehicles.

Lower levels of insurance increase the risk to the Crown from disasters. In a natural disaster situation, those without insurance cover look to the Government for assistance. Political necessity and humanity make it difficult for Governments to ignore these pleas; despite the moral hazard that giving aid creates. The payments to uninsured red zone residents in Christchurch are exactly this. In this way a lack of insurance is paid for by the Crown.

The reverse is also true. Affordable insurance increases penetration, which in turn helps build community resilience and enhances recovery post event.

### *Ultimately this flows to the consistency of economic growth.*

By increasing the cost of insurance, the levy reduces the use of insurance in the economy. Without it, businesses take fewer investment risks and expose themselves to unexpected costs arising through damage or loss. Individuals will have less confidence to purchase assets. This reduces the stimulus such investment gives to the economy and slows the recovery post disaster due to reduced insurance payouts, again impacting economic performance.

# Other considerations

## An internationally outdated model

New Zealand increasingly appears alone in continuing to fund its fire services through an insurance-based levy.  Many comparable jurisdictions, the UK, Canada, and increasingly Australia use Central and Local Government taxation.

Despite economic and geographical differences between New Zealand and Australia, IAG believes there is significant merit in looking to Australian Government reviews to understand the negative implications of funding emergency services through product taxes and the strong move away from this system of funding.   We strongly encourage the Panel to look at these reviews.

From 1 July 2013, Victoria will move away from its current "*inequitable insurance-based fire services levy*" to a "*fairer, more transparent property-based levy*."[11] New South Wales, the only remaining insurance-based levier, is similarly committed to abolishing taxes on insurance going forward.[12]

In Australia, it is a firmly established principle that taxation on insurance is inefficient, inequitable and unsustainable.  All Australian states are either currently funded, or moving towards being funded, via general taxation, consolidated revenue, or a property based levy – as opposed to insurance levies.[13]

Importantly, revision of the Australian States funding mechanisms have been accompanied by a number of studies which indicate that fire service levies actually encourage under and non-insurance, which in turn has negative implications for consumer welfare and state-liability.

It is important that these lessons are taken into account during New Zealand's review, to ensure sustainability and certainty for the New Zealand's Fire Services.

## Opposition to a rates-based model

Opposition to rates-based models like those used in Australia exists within local government and organisations - both commercial or Government, that have significant property portfolios.  IAG understands there are six main concerns.

First, the financial impact on large property owners, like major Corporates and Housing New Zealand would be significant.  IAG believes this can be managed through the design of the rates-based model and the broader participation it would bring.  Government departments and Housing New Zealand should be bought into the funding the model; helping to further reduce the cost to all property owners.   The need for this mitigation notwithstanding, equity consideration requires all to pay their fair share.

The second is rate payers' reaction to a further increase in their rates bill.  While rates would increase, this would be less than the reduction in insurance premiums, leaving the majority of home owners better off.   Any negative response can be mitigated through sound education of rate payers on the changes and clear itemisation of the new charge on their rates bill.

Third, doubts that insurers will pass through the removal of the levy to their customers.   The pricing of insurance is complex and – for home policies right now, subject to numerous changes, including increases in reinsurance costs, a move to fixed sum insured, and normal price increases and pricing algorithm changes driven by claims experience.  It can be difficult to isolate for individual customers the ups and downs in their premium year-on-year.

That difficulty notwithstanding, IAG would support an audit conducted at the beginning of the transition period and one at the conclusion, to satisfy the Government, Local Government and the community that the industry was passing though the full reduction in the levy to customers.  IAG understands that the Western Australian Government applied this approach when it phased-out its fire service levy.

Fourth, the collection of Fire Services funds might sit outside the legislated role of Local Authorities – a role subject to change though the local government reforms currently in Parliament.   In fact Local Government already collects money from rate payers to fund the Rural Fire Service.  Removing the ability for local government to collect funds for core public services is not within the intent of the current reforms.  However, any residual uncertainty could be legislated away as part of the update of the Fire Acts.

The role of an insurer is not to collect taxes and levies on behalf of others, yet at present - through the Fire Service Act 1975, Earthquake Commission Act 1993 and the Goods and Services Tax Act 1985, some 36% of the premium ($350) on a typical house policy is money collected and passed to the Government.  Indeed, just 38% of the premium on a typical house policy covers the risk insurers carry on their balance sheets, theirs costs and margin.  This is why the pricing signal insurers put into the market on the location and severity of risks goes unheeded.

Fifth, it would be costly for local government to establish and maintain the systems to collect and pass on funding.  Rating and billing systems are already in place, but naturally there would be some cost to update them to include Fire Services funding.  The complexity and cost of this would depend on the model selected and how it is itemised on the rates bill. For example, a separately itemised flat fee on all properties would be far simpler than a flat fee by sector, than a differential system based on, say, capital improvement or size of property.

Cost concerns could be reduced by allowing Local Authorities to retain a small percentage of the funding collected as a contribution to their costs.  IAG believes the inclusion of this additional cost would still see a reduction in the overall amount of Fire Service funding paid by home owners.

Lastly, that Local Government would expect a level of influence over the Services given its role as funder.  IAG expects that Local Government would merely be the collector of funds - not be the funder, as is currently the case with insurers.  A rates-based model simply seeks to use an existing, mandatory, collection infrastructure to source funds from a broader population of Fire Services beneficiaries.  It does not seek to hand Local Government influence on the direction or operation of the Services.

## Amending the insurance-based model

Concerns about rates-based models, along with the exclusion of a tax-based model from the terms of reference, lead some to consider amendments to the current insurance-based model as possible solution to the funding concerns.

IAG firmly believes that altering the current model will simply exacerbate the many issues outlined above. Indeed anything other than the full removal of the insurance-based model will negatively impact the complexity and efficiency of the overall funding model, without materially improving its sustainability, equity or externalities.

Stepping back, IAG would order its preference – highest to lowest, for the different funding options as follows; general taxation, rates and registrations, status quo, extension of funding sources (e.g. insurance and vehicle registrations), amendments to status quo (e.g. closing of commercial loop holes and broadens of insurance-base).

The 2007 Review proposed a funding model that extended the range of insurable assets that would attracted the levy. And, as noted above, the proposal met with widespread rejection, with most stakeholders preferring a general or local tax-based model.

Seeking to close the loopholes in relation to commercial insurance contracts through some form of compulsion, as mooted by some, would be problematic. Compulsion would cut across the commercial rights of insurers to apply prudent underwriting rules, generate ruinous premiums for some high risk businesses, add complexity to an already inefficient model, and may necessitate the creation of a highly regulated and inefficient market.

Broadening the base of insurable interests that attract the Fire Services levy, as proposed in 2007, might appear to be a step forward, but would simply add complexity and reduce efficiency, without addressing any of the existing concerns with stability, equity or externalities.

Finally, some will say that the insurance industry benefits from the Fire Service and therefore should have a role in funding it or fund it directly. It is true that insurers' claims cost are improved by the existence of the Services; that is why insurers established the fire companies that were the antecedents of today's Services.

However, the point is specious. There a many more who benefit far greater form the Services; those whose lives and property are saved. While insurers may benefit, any costs that might reflect that benefit will ultimately be borne by policy holders, much the same as they do now though the imposition of the current levy. Again, this would not address the underlying stability, equity, efficiency or externality issues with the current model.

## Vehicle Registration

IAG understands that the use of vehicle registrations is a funding mechanism of interest. IAG believes that, absent a general taxation model, vehicle registration is an important part of a future funding model. Not only is the infrastructure in place (transition and implementation notwithstanding), but combined with rates, a 'rates and registration' model would meet the objectives set for the future funding model in the Panel's Terms of Reference.

However, registration-based funding added to the existing insurance model would - while providing some limited stability and equity benefits, add considerable complexity to the overall funding model without necessarily fixing any of its inherent problems.

Indeed, if we look to Australia, no State uses a mixed model that includes registration and insurance-based funding.

# References and notes


[1] *Briefing for Incoming Minister*, Department of Internal Affairs, June 2009, p13

[2] *New Fire Legislation: A framework for New Zealand's fire and rescue services and their funding - Report on submissions*, The Department of Internal Affairs, July 2007, p77-97

[3] *Guidelines for Setting Charges in the Public Sector*. The Treasury, December 2002

[4] *New Fire Legislation: A framework for New Zealand's fire and rescue services and their funding – A proposal for stakeholders*. Department of Internal Affairs, April 2007. page 48

[5] *Briefing Paper Prepared for the Hon Amy Adams, Minister of Internal Affairs*, The New Zealand Fire Service Commission, The New Zealand Fire Service and The National Rural Fire Authority, December 2011, p3

[6] *Briefing Paper Prepared for the Hon Chris Tremain, Minister of Internal Affairs*, The New Zealand Fire Service Commission, The New Zealand Fire Service and The National Rural Fire Authority, April 2012, p3

[7] Nielsen CMI data. 2008-Q2 2012

[8] IAG NZ Research

[9] *The New Zealand Fire Service Emergency Incident Statistics 2009 – 2010*, New Zealand Fire Service 2010, Tables 1, 4, 5, 11, 30, 32-36

[10] IAG NZ Research

[11] http://www.premier.vic.gov.au/media-centre/media-releases/4732-coalition-to-introduce-fairer-system-to-fund-victorias-fire-services.html

[12] http://haveyoursay.nsw.gov.au/ESL

[13] Pg 4 - Paper available at http://haveyoursay.nsw.gov.au/ESL.