

Legislative Council Hansard – 29 March 2017 – Proof

FIRE AND EMERGENCY SERVICES LEVY BILL 2017*Second Reading***The Hon. BEN FRANKLIN (11:13):** On behalf of the Hon. Don Harwin: I move:

That this bill be now read a second time.

The Fire and Emergency Services Levy Bill will abolish the unfair emergency services levy [ESL], which is funded only by those who buy property insurance. The ESL will be replaced by the fairer fire and emergency services levy [FESL] to which every property owner will contribute. The bill will ensure fairer funding of emergency services as everybody benefits from these services but not everybody contributes to the levy. It will also reduce the cost of insurance making it more affordable.

The PRESIDENT: Order! There are far too many interjections. I do not want to have to call members to order at 11.15 a.m. The Parliamentary Secretary has the call.

The Hon. BEN FRANKLIN: This reform will reduce the cost of insurance and help to address under-insurance in New South Wales. Fire and Rescue NSW, the NSW Rural Fire Service and the NSW State Emergency Service are mostly funded by the ESL.

The PRESIDENT: I call the Hon. Penny Sharpe to order for the first time. I call the Hon. Mick Veitch to order for the first time.

The Hon. BEN FRANKLIN: This increases the cost of residential insurance premiums by about 20 per cent and commercial insurance premiums by about 30 per cent. The Fire and Emergency Services Levy Bill will abolish the ESL, making insurance more affordable. Average residential insurance premiums will be around \$233 lower as a result of the reform. In 2016-17 the ESL contributed \$941 million to emergency services, including the associated duty and GST. Currently New South Wales households have the highest rate of non-insurance of all States. Thirty-six per cent of households do not have contents insurance. In other States, where the ESL does not exist, around 25 per cent of households do not have contents insurance. Everybody benefits from emergency services, even though only those who buy property insurance contribute to the cost of these services.

The fire and emergency services levy is a fairer way of funding emergency services as all property owners will contribute. The new method of funding emergency services brings New South Wales in line with all other mainland States, which already have replaced insurance levies with property levies. The FESL will be paid by property owners alongside their council rates. The levy is based on the unimproved land value of the property. Different FESL rates will apply for different property sectors—residential, commercial, industrial, farmland and public benefit. Government land will be exempt from the FESL. The FESL rates will be revised each year to ensure that the total revenue raised is equal to the funding needs of the fire and emergency services and to ensure that revenue shares are maintained for the various property sectors. The residential and farm sectors will pay the same share of revenue as they currently pay through the insurance levy with public benefit, commercial and industrial land providing the remaining revenue.

For each property the levy will have a fixed and a variable component. The fixed rate for residential and public benefit land will be \$100 per property and for farmland, commercial and industrial land, the fixed rate will be \$200 per property. The variable rate will be based on land values and the rate will be revised each year to achieve the revenue target for each property sector. For an average fully insured household, the reform will result in an annual saving of \$47. On average, households currently pay an additional \$233 through the ESL and associated GST and duty. Under the FESL the average fully insured New South Wales household will pay \$185.

Pensioners who are entitled to concessions on council rates will receive an FESL discount. The discount will be \$50 in 2017-18 and will be indexed to the Sydney consumer price index [CPI]. Vacant residential, commercial and industrial land will receive a 50 per cent discount. In cases where the payment of the FESL leads to financial hardship, it will be possible for landowners to apply for full or partial waiver of the FESL. Hardship guidelines will be issued by the Treasurer, with eligibility determined by the Office of State Revenue.

Councils will collect the levy from landowners on behalf of the State and transfer these funds to the Office of State Revenue. The levy will be listed on council rates notices as a separate State Government levy. Landowners will have the option of an annual or quarterly payment in conjunction with their council rates payments. Councils are also responsible for classifying land into the FESL categories of government, residential, commercial, industrial farmland or public benefit land. Councils will notify landowners of their classification and will supply data to the Valuer-General, which will be used to determine each year's FESL rates. Councils will be reimbursed for all costs reasonably incurred in implementing and administering the FESL.

More than \$900 million of taxes will be eliminated from insurance premiums by 1 July 2017. To make sure that insurers pass on the benefits of the abolished ESL to their customers, the Government appointed the emergency services levy insurance monitor last year. For any customer who has concerns about their insurance premiums during the transition process, the monitor is available to handle complaints or disputes. The monitor has the power to seek penalties of up to \$10 million from companies that charge excessively high prices during the transition. These powers are backed up by data-gathering powers, extending from 1 July 2014 to 31 December 2018, allowing a comparison of pricing both before and after the reform. This reform will not establish a new levy. People already pay for fire and emergency services through the insurance system. Rather, this reform will establish a fairer levy. Every property will contribute to funding the fire and emergency services. I commend the bill to the House.