

FIRE AND EMERGENCY SERVICES LEVY BILL 2017

First Reading

Bill introduced on motion by the Mr Dominic Perrottet, read a first time and printed.

Second Reading

Mr DOMINIC PERROTTET (Hawkesbury—Treasurer, and Minister for Industrial Relations)

(16:06): I move:

That this bill be now read a second time.

I seek leave to table a proposed Emergency Services Property Levy Regulation for the information and reference of members to assist this House in its consideration of the bill.

Leave granted.

Document tabled.

The Fire and Emergency Services Levy Bill will establish a fairer way of providing the funds needed by our fire and emergency services—Fire and Rescue NSW [FRNSW], the NSW Rural Fire Service [RFS] and the New South Wales State Emergency Service [SES]. This bill will abolish the insurance-based Emergency Services Levy [ESL] and introduce in its place a Fire and Emergency Services Levy [FESL]. Why are we making the change? Under the existing insurance-based Emergency Services Levy [ESL] most of the cost of our fire and emergency services is borne only by people who insure their properties. Once the Fire and Emergency Services Levy is introduced, the contribution will be spread across every property in New South Wales. It is a fairer way of raising the same amount of money for the vital services that protect life and property.

This important reform will also help to address the serious issue of non-insurance in New South Wales, which leaves 36 per cent of households in the State without contents insurance and five per cent without building insurance. This compares with an average of around 25 per cent for contents insurance in other States, meaning New South Wales has the highest level of non-insurance of all the States. This can have devastating consequences for families and businesses in the event of a natural disaster such as bushfire or flood. Without insurance, entire livelihoods can be lost, leaving people without the means to rebuild and start again. The current insurance-based ESL increases the cost of household premiums by about 20 per cent, and commercial premiums by about 30 per cent.

For too many households insurance is simply unaffordable. Our reform is a change for the better. Under the Fire and Emergency Services Levy, the cost of insurance will be lower for everyone. In 2016-17, \$785 million of ESL is payable by insurers, who pass this on to insurance customers in their premiums. Once GST and associated duties are accounted for, the abolition of the existing insurance levy will reduce the cost of insurance across New South Wales by around \$938 million in the 2017-18 financial year. As well as making insurance more affordable, this reform provides a fairer way of funding our fire and emergency services. Currently everybody benefits from fire and emergency services, but only people who buy insurance contribute to those services through the insurance levy. Under the land-based levy, every property owner in New South Wales will make a contribution to these vital services. This system will also bring New South Wales into line with all other mainland States, which have already moved away from an insurance-based levy to a land-based levy.

Importantly, this bill maintains and secures the funding for the fire and emergency services. The Government appreciates the vital work of our fire and emergency services, the staff and the volunteers, and will continue to ensure they receive the funding which they need. To be clear, this reform only deals with the source of funds for fire and emergency services. Funding levels for fire and emergency services will not be affected in any way. The funding generated by the Fire and Emergency Services Levy will simply replace the current insurance-based levy, and spread the cost more fairly. The bill preserves the intent of the existing legislation for determining the amount of

funding passed to the three fire and emergency services and continues to pay contributions to the agencies on a quarterly basis.

I would like to emphasise that this reform is budget neutral for the Government. I am pleased to inform the House that the significant majority of fully insured households will pay less Fire and Emergency Services Levy than they currently pay in ESL. The average saving will be \$47. New South Wales households and businesses will no longer pay the \$79 million in GST currently applied to the ESL, resulting in a saving for everyone. Importantly, we are making sure there is the right assistance for those who need it.

This bill is the outcome of a long and carefully considered reform process. The Government committed to review the way the fire and emergency services are funded as part of the 2011 election. We recognised that there were strong arguments for moving away from the insurance-based ESL. It does not make sense to have a system that discourages people from buying insurance, leaving them exposed to catastrophic financial risks from fire and other emergencies. It also does not make sense that everybody benefits from fire and emergency services whilst only those with insurance contribute. So we conducted a four-month public consultation in 2012, receiving more than 500 submissions, with a majority of these submissions in favour of abolishing the ESL.

We looked at what other States have done. Queensland abolished its insurance-based levy in 1984, replacing it with a property-based levy. South Australia did the same thing in 1999, and Western Australia followed in 2003. More recently, Victoria responded to the 2009 bushfires royal commission by abolishing its insurance-based levy and introducing a Fire Services Property Levy in 2013. These reforms have been initiated and supported by both Labor and the Coalition across the Commonwealth. In Victoria, the most recent State to transition to a property levy, the reform received bipartisan support. I understand Victoria's legislation passed through both Houses with absolute majorities. We are the last mainland State to undertake this important reform.

In developing our reform package we have learnt from the experience in Victoria. Most importantly, we have put in place a regime to manage the transition of insurance prices and, importantly, to ensure that the benefits of repealing the insurance-based ESL are passed on to consumers. Finally, as we prepared this bill, we entered into a process of consultation with Local Government NSW and council representatives to ensure that the new arrangement would work effectively with existing council rates systems. I would like to thank Local Government NSW—the peak body for councils—and all of the council representatives who participated in these discussions.

As part of this reform effort the Government has also consulted with a wide range of peak bodies such as the emergency service agencies, the Rural Fire Services Association, the SES Volunteers Association, Local Government Professionals Australia, the Insurance Council of Australia, the National Insurance Brokers Association, the Shopping Centre Council of Australia, the Australian Retail Association, the Retail Council, the NSW Business Chamber, the Sydney Business Chamber, the NSW Farmers Association, the NSW Property Council and the Combined Pensioners and Superannuants Association, the Volunteer Fire Fighters Association, as well as many others. I take this opportunity to thank everyone who was involved for their valuable input.

The Fire and Emergency Services Levy will generate revenue equal to 81 per cent of the estimated costs of the fire and emergency services, which is the same amount as currently generated by the insurance levy, including associated stamp duty. The remaining 19 per cent of fire and emergency services costs will continue to be met through existing arrangements including contributions from councils and the New South Wales Government. Different rates of land will be levied for different property sectors—residential land, farmland, industrial land, commercial land and public benefit land. Government land will be exempt and, following consultation with the local government sector, local government land will also be exempt.

Vacant residential, industrial and commercial land will receive a 50 per cent reduction in their levy. Pensioners will receive a \$50 reduction in their levy. This reduction will be indexed to the CPI. Some landowners who are in difficult financial situations may not be able to pay and a hardship policy will be in place. The Government has made a decision to maintain current sector revenue

contributions in the Fire and Emergency Services Levy. This means that the current share of revenue contributed by the residential, non-residential and farm sectors will remain unchanged. While contributions from different property sectors have been maintained, the average fully insured property will benefit by the broadening of the base to include those not currently paying ESL.

The Fire and Emergency Services Levy for individual properties will be based on a fixed and ad valorem rate, with the ad valorem rate changing each year to achieve the required revenue target for funding emergency services. For residential and public benefit land, the fixed fee per property will be \$100. For farmland, commercial and industrial land, the fixed fee will be \$200 per property. The ad valorem rates for each sector will be revised each year to ensure that the total revenue raised matches the funding needs of the fire and emergency services, and to ensure that each property sector contributes its specified share. The Fire and Emergency Services Levy will be collected by local governments alongside council rates. The levy will appear as a separate line item on council rates notices. Just as occurs with council rates, landowners can pay annually or quarterly. Councils will be responsible for transferring the funds received each quarter to the Office of State Revenue. The Fire and Emergency Services Levy will be levied on the same unimproved land values that are used for the purposes of council rates.

At present, councils update these land values every three or four years, as they operate on different cycles. To ensure that a consistent set of land values is used for the purposes of the Fire and Emergency Services Levy, the bill provides that councils will move to a common three-year cycle of land values, commencing in 2017-18. The Government will support councils as they implement these changes. Local governments will be reimbursed for all reasonable start-up and ongoing costs. The Government has prepared an operating manual for use by council staff, and it has rolled out a comprehensive training program. It has put in place mechanisms to ensure that insurers pass on the savings associated with the abolition of the ESL to consumers. The Insurance Monitor legislation was passed by the New South Wales Parliament in June 2016, providing for penalties of up to \$10 million for insurers that engage in price exploitation or misleading or deceptive conduct regarding the effects of this reform.

Professor Allan Fels, AO, and Professor David Cousins, AM, the Insurance Monitor and Deputy Monitor, are closely watching insurers, and have issued guidelines establishing that the ESL should be abolished from any new policies or renewals commencing after 1 July 2017. The Insurance Monitor is available to anybody who is concerned that an insurer is failing to pass on the full benefits of the abolished ESL.

Professors Fels and Mr Cousins played the same role in Victoria, as part of a similar reform in 2013.

This is an important and significant reform. However, in some ways it is a very simple reform. The Government has always been concerned to make sure that the new arrangements would be fairer than the existing insurance system, and this bill delivers on that promise. This reform has received bipartisan support in other States because it is fair and it is the right thing to do. It will make insurance premiums more affordable and make the funding of our emergency services fairer. I commend the bill to the House.

Debate adjourned.