REVIEW OF THE

FUNDING ARRANGEMENTS FOR THE

FIRE SERVICE OF NEW SOUTH WALES

SEPTEMBER 1994

CONTENTS

SUMMARY

- The State is served by two fire services - the New South Wales Fire Brigades (NSWFB) and the Bush Fire Service (BFS).

- Over the past decade, there have been several reviews of the funding of the fire services with little change to the system.

- The overall cost of the two services for 1993/94 was $219 Million.

- The cost of maintaining the two services bears little or no relationship to the effort of attending fires or other activities; it relates mainly to training and equipping services able to respond when the need arises.

- Funds for the fire services during 1992-93 came from: State Government 12.44%; Local Government 13.09%; insurance industry 65.39%; internal sources 4.5% and other income 4.58%.

- The present system of funding the services is classified as "insurance-based" as the greater part of the total funds is from insurance companies by way of fire service levy. This levy is effectively passed onto policy holders by an insurer's levy on policy premiums. State Government and Local Government also contributes.

- The present system of funding is significantly limited as it falls on a narrow base; it is selective in that the greater burden of costs falls upon property owners who have chosen, or are compelled for various reasons, to insure their properties; and it is open to avoidance/evasion.

- Because the State Government is a self-insurer through the Treasury Managed Fund, it makes no fire service levy contribution.

- Stamp duty collected by insurance companies is raised in part from duty on that portion of premiums relating to the fire service levy. The Stamp Duty on fire service levies thus paid annually to Consolidated Fund totals some $15M.

- In effect the State Government is obtaining fire protection for billions of dollars of property for a minimum payment.

- Legislation requires the insurance industry to contribute 73.7% of the net costs of the fire services. The way that the insurers raise the money is not specified or restricted by legislation.

- While, in practice, insurers meet their contribution by a levy on policies, the suggested levy rates by the Insurance Council of Australia are not mandatory and act only as a guide to individual insurers.

- The recommended levy for both residential and commercial sectors increased 1% for 1994.

- Since 1990, Returned Gross Premiums received by insurance companies have increased 15.16% compared to a 9.14% increase in fire service levies forwarded by insurance companies to NSWFB.

- From projected figures it would appear that in recent years insurance companies have collected "excess" funds from their fire service levies on policies.

- The present system is administratively efficient and relatively inexpensive to operate. It has a secure cash flow and no bad debts.

- There is a high level of non-insurance and under-insurance. As well there is a level of avoidance/evasion through various insurance industry mechanisms.

- The unimproved capital value of properties as a basis of apportioning costs between councils bears no relationship to the actual cost or share of services received in each council area.

- Road users are not contributing a fair share of the fire service costs.

- An ideal funding system would be one which draws its contributions from the whole community, which distributes the financial burden equitably according to the service provided, which takes account of self-protection, which is comparatively simple to administer and which is capable of adjustment as circumstances change. Unfortunately, such a system is not possible.

- Twelve options were identified of which only three are worthy of further consideration. The first is to enhance the existing "insurance-based" system which provides the opportunity of relief to the Local Government sector. The second and third relate to a "property-based" system which provides the opportunity of relief to both the Local Government and insurance sectors.

- The existing system could be enhanced by changing the method of apportioning costs between councils within one Fire District; adopting a five year average for unimproved capital valuations; and changes in the areas covered by the Sydney Fire District.

- A fire levy on motor vehicles at the time of registration would eliminate the need for Local Government and motor vehicles comprehensive insurance premiums to contribute to the NSWFB/BFS. The rate pegging system can ensure this levy is offset against council rates.

- Consideration could be given for Government departments and organisations, who have land under their control from which fire could threaten residential or other property, to contribute to the fire services.

- A review should be undertaken of available equipment of Bush Fire Brigades where councils have a small revenue base.

- For "property-based" systems careful consideration needs to be given to the distribution of costs to ensure that the community as a whole does not bear the cost of maintaining a service for a smaller number of fire risks.

- Prior to any decision being made extensive modelling is needed to assess the feasibility of alternative proposals.

- If any change is to take place the major issue to be resolved is that of cash flow during the transition period. Unless the insurance industry is prepared to fund the transition period there cannot be any major change to the present basis of funding the fire services.

- There should be one firefighting fund with a minimum legislative proportion being allocated to the Department of Bush Fire Services.

Control and collection of contributions should be vested in one organisation with one basis of assessment.

- Since all organisations involved in the financial process now have records based on 30 June year end, there is no longer any logic in persevering with the process of converting financial year estimates to a calendar year basis.

- If no changes are made there is a need to review charge rates for services rendered; review asset values and associated depreciation charges; institute audits of insurance companies; and undertake a review of the "Proportions of Premiums Subject to Contributions".

INTRODUCTION

Over the past decade, there have been several reviews of the method of funding the New South Wales Fire Services, as there has been in other States of Australia. Apart from an adjustment in the proportions payable by Local Government and the Insurance Industry to the Bush Fire Service, other suggestions have never been acted upon, mainly because there were as many negative aspects as there were positive ones.

The most significant reports in the past 8 years have been:

- 1986 Report on Fire Service Funding by the Insurance Council of Australia.
- 1988 Report of Committee Reviewing Funding of the Fire Funding Services (the Lewis Report).
- 1991 New South Wales Fire Brigade Preliminary Review of a Revised Funding System (Coopers and Lybrand).

This review, instigated by the Hon. Terry Griffiths, MP, Minister for Police and Emergency Services, has been conducted under the following Terms of Reference

> "To examine and report on whether current arrangements for funding fire services in NSW are equitable and efficient, having regard to:-
>
> 1. The need to provide effective protection from fire throughout the State.
>
> 2. The need for fairness in the contributions being levied on the community.
>
> 3. The efficiency of payment collection and administration of the contributions to fire services.

> The review shall have regard to funding arrangements in other States; the views of the NSW Fire Brigades, Department of Bush Fire Services, Local Government, and the Insurance Industry and such other persons and organisations considered appropriate by the Steering Committee; and may present options for more appropriate and adequate funding arrangements for consideration by the Minister for Police and Emergency Services."

To ensure there was as wide a coverage as possible from interested parties, advertisements were placed in the daily press seeking submissions. In addition, organisations who had previously made representations to the Minister on this subject were advised of the review by letter. In all, 46 submissions were received which are listed in Appendix A.

Interviews were conducted with interested parties or when clarification of issues were required. Appendix B lists persons or organisations interviewed.

Further, as other States had made changes to the "insurance-based" system, or were currently in the review process, visits were made to both Victoria and Queensland to obtain first hand information.

As there are now many similarities in New South Wales between the methods of funding the State's two fire services, my enquiries to some extent were concentrated on the larger service, the New South Wales Fire Brigades.

This report outlines the current system of funding the State's fire services, the positives and negatives associated with the current system and the advantages and disadvantages of other systems.

The funding capacity of the fire services is, under the present system, significantly limited:

- it falls on a narrow base;
- it is selective in that the greater cost burden falls upon property owners who have chosen, or are compelled by various reasons, to insure their properties;
- it is inequitable; and
- it is open to avoidance/evasion.

There is no doubt all users, actual or potential, of fire services should contribute to the establishment and operational costs of the service. (The greatest proportion of costs associated with fire protection relates to establishing and maintaining brigades as only a small portion of expenditure is incurred in actual fire fighting operation).

Levels of individual contribution should be in proportion to the service provided or expected with due consideration to ability to pay.

This report sets out identified options but as any revised funding system must have simplicity, efficiency and equity, only three options are worthy of further consideration.

The dilemma is what is the most appropriate system.

THE PRESENT FINANCIAL ARRANGEMENTS IN NEW SOUTH WALES

By statute the State is served by two distinct and separate organisations - the New South Wales Fire Brigades (NSWFB) and the Department of Bush Fire Services (BFS).

The NSWFB is responsible for providing fire protection to the centres of population (over 90% of the State's population) through 186 fire districts within the State. The organisation provides a 24 hour service and employs about 2,700 permanent and 3,100 volunteer (retained) firefighters.

The BFS is responsible for providing fire protection to the rural areas of the State covering about 90% of the State's area including some 1,200 towns and villages. The organisation has almost 70,000 unpaid volunteers in 2,400 brigades. The service is mostly local council based but has a small co-ordinating staff.

Both services provide many other services including attendances at road accidents and hazardous material incidents.

The cost of maintaining the two Services bears little or no relationship to the effort of attending fires or other activities; it mainly relates to maintaining trained and equipped services which are able to respond when the need arises.

The total recurrent and capital cost of providing the two services for the financial year ended 30 June 1993 was $219.1 Million ($191.6 Million NSWFB and $27.5 Million BFS). The estimated expenditure for 1993-94 is $260.9 Million ($218 Million for NSWFB and $42.9 Million for BFS). These figures include both depreciation charges and capital expenditure from internal sources and are not related to cash flow figures.

By way of comparison, the total cost of New South Wales for 1992/93 of $219.1M equates to $36.46 per head of population, compared with Victoria $247.6M total cost equating to $55.49 per head of population.

During 1992-93 to meet the two organisations' outgoings, both recurrent and capital, funds were provided either directly or indirectly from the following sources:

SOURCE	NSWFB $'000'S	BFS $'000'S	TOTAL $'000'S
Statutory Contributions - State Government	20622	7424	28046
Local Government	22140	7370	29510
Insurance Industry	132660	14740	147400
Other- Commonwealth Government	3538	--	3538
Charges	2700	15	2715
Miscellaneous	2870	1182	4052
Internal Sources	10150	--	10150
TOTAL	194680	30731	225411

Note: The difference between costs and sources of funds arises from surpluses in each organisation's annual result.

Overall, the State Government contributed 12.44% of the funds, Local Government 13.09%, Insurance Industry 65.39%, internal sources 4.5%, and other income 4.58%.

Although slightly varying, the method of determining the sources of funding for the two bodies have many similarities and are briefly summarised:-

NSW FIRE BRIGADES

The process of funding the service is laid down in the Fire Brigades Act and is linked to the State's annual budget process.

Process

Estimates are prepared for each of the State's 186 fire districts. The aggregate estimates are considered; they are adjusted taking into account Government policies and legislative requirements, and are finally agreed upon by the responsible Minister and the Treasurer. The final total figure forms part of the annual appropriation by Parliament to the Minister. The NSWFB draws down money from the Treasury monthly.

To offset the recurrent expenditure payment from the Consolidated Fund, contributions from Local Government and the insurance industry (Fire Service Levies - FSL) are collected by the NSWFB on a calendar year basis, as agent for the Government, and paid into the Consolidated Fund. Up to 1989, these contributions, which are based on the net funded calendar year recurrent expenditure estimate, were 75% from the insurance industry and 12.5% Local Government. Since 1990, those percentages were 73.7% insurance industry and 12.3% Local Government.

The Act requires the financial year net estimates, after allowing for carry over funds and other income, to be converted to a calendar year estimate using a conversion figure approved by the Treasurer. The amount so calculated forms the basis for determining the advance contributions payable by the insurance industry and levies payable by Councils and Shires.

Now that the NSWFB (from 1 July 1990), the BFS, and the Councils (from 1 July 1993) have a common financial year end (30 June) and, effective 30 June 1994, insurance premium returns are required for the same year end, there is no longer any logic in perservering with the process of converting financial year estimates to a calendar year.

State Government

The State Government's recurrent expenditure allocation for the financial year equates to a contribution of 14% of the estimated net cost for the calendar year of the NSWFB, it is not related to resources used to attend its own premises.

The following table shows the net Consolidated Revenue Fund contribution, for both recurrent and capital expenditure, compared with and expressed as a percentage of funds from all sources since 1987:

	Recurrent $'000's	Capital $'000's	Total C.F. $'000's	Total Funds $'000's	%
1987	16,270	-	16,270	139,777	11.64
1988	18,063	-	18,063	157,881	11.44
1989	19,817	-	19,817	180,069	11.01
Jan/June 1990*	11,544	3,596	15,140	88,276	17.15
1990/91	23,431	2,222	25,653	181,730	14.12
1991/92	25,558	-	25,558	189,496	13.49
1992/93	20,622	-	20,622	194,680	12.44

* Change of financial year end from 31 December to 30 June.

For 1992-93 the Government contributed a net $20.6M (after recoveries from Local Government and Insurance Industry) towards the cost of the Service. This was offset by stamp duty collections calculated on that proportion of insurance premiums related to the FSL, for 1992/93 estimated at around $15M.

This means the adjusted net contribution by the Government is some $5-6M.

For this contribution the Government gains fire protection over assets worth many billions of dollars as all budget departments, all public hospitals and a number of Government authorities are self-insurers with the Treasury Managed Fund. This fund does not contribute a fire service levy.

If the fund paid FSL on premiums received from property and motor vehicle insurance at the same rate as insurance companies the liability would be more than $6M. In reality this system of self-insurance saves the Government many millions of dollars.

Also, payroll tax paid to the State by NSWFS for 1992/93 totalled $8.1M.

It would also be fair to say that the Government's community service obligations for the fire service are also included in the net $5-6M.

In effect, the Government does not make a positive contribution to the Service.

In addition, there is no requirement for Government departments and authorities with land ownership or management responsibilities to make a financial contribution to the fire services commensurate with fire threat to the public by their land holdings (ie, National Parks).

Further, apart from $5.8M received in 1990 and 1991 for capital expenditure, all other expenditures of this nature over the years 1987 to 1993, amounting to $43.4M, have been financed from internal sources (ie. depreciation).

If this system of capital funding is to continue, it is suggested the NSWFB assets be revalued to net replacement value and depreciation be charged upon those values. This process would enable the organisation to build up additional funds for future asset acquisitions.

<u>Local Government Levies</u>

Section 50(1) of the Fire Brigades Act requires Local Government areas to contribute 12.3% of the estimated expenditure for fire districts in their locality. Contributions are paid from Council's general funds and are payable quarterly.

The contributions from this source for 1993 calendar year totalled $22.14 Million and were spread over 162 councils and municipalities (largest contributor Sutherland Shire Council $1.07 Million). This represents, State wide, only 1.5% of Local Government rates revenue.

Once individual fire district estimates, including a proportion for overheads, are finalised, each council is advised of the required contribution for fire districts within their locality. Where the fire district extends over more than one Council's area the contribution by individual Councils is apportioned based upon the aggregate unimproved capital value of properties in each Council area.

Apart from the Sydney fire district which incorporates 37 Councils, there are only five other fire districts where the estimate requires apportioning.

<u>Insurance Industry and Property Owners</u> **(Insurance, reinsurance, agents, brokers, etc.)**

This group is the predominant source of funds for the fire service, with contributions being made by some 200 organisations or individuals. The legislation requires that 73.7% of the estimated net cost of the NSWFB be funded from this source. Contributions are payable quarterly in advance. By way of example, 1993 advance contributions are based upon 1991 insurance premium assessments.

Contributions from the insurance industry are based upon the weighted insurance premiums received for certain classes of insurance which are set out in Schedule 1 of the Act (Appendix C). The weighting is designed to take into account risk other than those merely fire related, such as collision and theft.

Until 31 December 1993, audited returns on a calendar year basis detailing premiums were required to be forwarded to the NSWFB. On receipt of all returns, each insurer's liability is determined as a percentage basis of the total pool of insurance written for the period and applied to the total amount to be recovered by the insurance sector. The total amount payable for the year from this source, once returns are received, does not vary but changes occur between individual insurers.

Legislative change in late 1993 now require such returns on a financial year end.

Recovery of sufficient funds to meet their liabilities is of utmost importance to the insurer.

Legislation does not specify or restrict the way in which money is raised to fund contributions from the insurance industry. In practice, the money is raised from policy holders by way of a levy. The Insurance Council of Australia advises companies of a suggested fire service levy on policy premiums and companies build this into their individual premium rates. The suggested fire service levy rates are not mandatory and act only as a guide to individual insurers.

The most significant recommended levies for New South Wales for the past five years are shown:

APPLICABLE YEAR	1990	1991	1992	1993	1994
Commercial	24%	34%	29%	24%	25%
Householders & Houseowners	14%	20%	16%	14%	15%

Note: **The levies vary from state to state and a comparison would serve no useful purpose because of different funding bases.**

The reason for the variance in the levy between the classes is the grossing of premiums declared at 100% from the percentages shown in Appendix C; ie, householders and houseowners to premiums declared at 50% have been grossed to 100% and likewise commercial from 80% to 100%.

An example of how the levy is applied follows:

	HOUSEHOLDERS & HOUSEOWNERS $	COMMERCIAL $
Premium	100.00	1000.00
FSL	14% 14.00	24% 240.00
Sub-total	114.00	1240.00
Stamp Duty 11.5%	13.11	142.60
TOTAL	127.11	1382.60

Changes to the rate of levy will reflect the changes in the rate of increases in the premium pool, stamp duty and fire service budgets.

Detailed is a comparison between net insured premiums and contributions required by the NSWFB on an annual basis:

Calendar Year	Returned Weighted Premiums $Millions	Returned Gross Premiums $Millions	Increase on Previous Year $Millions	%	Insurance Contribution Required $Millions	Insurance Contribution Increase $Millions	Contribution to Gross Premium %
1988	470.736	1,741.143	N/A	N/A	108.375	N/A	6.22
1989	469.589	1,795.027	53.884	3.09	118.902	10.527	6.62
1990 *	519.318	1,984.826	189.798	10.57	121.546	2.644	6.12
1991	596.029	2,142.383	157.557	7.94	125.151	3.605	5.84
1992	646.118	2,240.220	97.837	4.57	132.660	7.509	5.92
1993	714.390	2,286.022	45.802	2.04	132.660	NIL	5.80

*** Contribution from insurance companies reduced from 75% of cost to 73.7%.**

It is noted that since the changed funding in 1990 "Returned Gross Premiums" increased from $1.985M to $2.286M (15.16%) compared with the FSL contribution which increased from $121.6M to $132.7M (9.14%).

While it would appear most insurers adopt the ICA suggested rate of levy (which is calculated taking into account the total FSL liability of all business underwritten) for the commercial and the householders and houseowners classes of policies of insurance some insurers charge a levy on other classes of policies.

There is no consistency between insurers in what class of insured risks are subject to a levy or in the rate of levy. It would seem that each insurer makes a commercial decision as to the quantum of FSL it factors into the calculation when determining the premium for the various classes of insured risks.

For those insurers who apply the suggested FSL to premiums other than commercial and householder and houseowner policies, a degree of "excess" funds would be generated. Any "excess" funds collected may have been used to offset administrative expenses, reduce claims costs, or may have been transferred to the insurer's profit and loss account.

It is not possible to determine the level of "excess" collections.

Appendix D models the various classes of insurance underwritten and using the recommended ICA fire service levy rate projects the totals of fire service levies that could be generated from premiums if the rates were applicable to all classes of policies. It must be recognised that it is virtually impossible to assess the total amount collected by insurers which represents FSL.

It must also be understood when considering the appendix that the figures are only intended to provide <u>some</u> indication of the possible generation of levy funds by the insurance industry if the suggested rate was applied to all classes of policies of insurance. These figures must be read with <u>caution</u>. The only way absolute accurate figures can be determined is for each insurance company to positively state the amount of FSL recovered from premiums.

<u>Other</u>

The NSWFB, in certain circumstances, recovers some costs but it cannot be classified as a "user-pays" recovery system.

Recoveries stem from such incidents as: false alarms; automatic fire appliance monitoring; hazardous material response; in lieu contributions from Commonwealth Government departments and agencies, etc.

It is now an appropriate time to undertake a review of charges levied with a view of fixing rates more in line with actual costs.

NSW BUSH FIRE SERVICE

There now appear to be many similarities between the funding arrangements of the BFS and the NSWFB. As with the NSWFB, the budgetary process of the BFS is linked to the State's annual budget process. Prior to 1 July 1993, funds were provided to the BFS in the ratios of 50% insurance industry; 25% Local Government and 25% State Government. Effective from that date the ratios became the same as those for the NSWFB calendar year calculations. That is 73.7%, 12.3% and 14% respectively, with the State's 14% determining the global amount.

Each year councils whose areas fall within a bush fire district submit requests for funding with the BFS. Parameters are set having regard to:-

(a) the proposed consolidated fund allocation; and

(b) councils' limitations of self-funding.

Each individual council now pays to the fund 12.3% of the departmentally approved budget of brigades within its boundaries. Councils may (and many of them do) spend more than the departmentally budgetted figure from their own revenue source (for example, Sutherland Shire for 1993 spent a total of $1,023,087 on its brigades of which only $238,000 was paid from the Fund).

As with the NSWFB, insurance companies now contribute 73.7% of the budget with contributions from individual companies being determined from audited returns of the weighted premiums written for certain classes of risks. These risks are detailed in Schedule 2 of the Bush Fires Act (Appendix E).

Annual assessments are based on returns for the previous financial year without subsequent adjustment. The major difference between the NSWFB and the BFS for these contributions is that payment by the insurers is made for the six month period to 31 December, by that date, with the next two quarters paid in advance.

Funds, as per approved budgets, are distributed by the BFS to individual councils for maintenance and running costs whilst purchases of equipment, etc. are made by the BFS on behalf of councils. Total expenditure for individual councils is based on each council's budget requirements.

The financial year end of 30 June is used for all contributing bodies.

There are other, not so overt sources, such as the local community fund raising which is associated with volunteer fire brigades and the use of privately owned firefighting equipment by the rural sector.

The difference between NSWFB and BFS funding arrangements, though similar in percentage terms, relates to the fact that NSWFB is funded for recurrent expenditure only whilst BFS funding is predominently used to acquire capital items and maintain existing assets which are owned by the various councils.

ABOUT THE PRESENT SYSTEM

There is no doubt that the Fire Service Levy is in the nature of general taxation as it is derived from a tax on property and a tax on service (insurance). Levy is defined by the Macquarie Dictionary as: "a raising or collecting, as of money, by authority; to make a levy of $; collect (taxes, contributions, etc.); to impose (a tax)". Tax is defined as: "a compulsory monetary contribution demanded by a government for its support and levied on incomes, property, goods purchased, etc".

The existing system of funding may have been appropriate when a fire service existed earlier this century, but it has faults.

As almost three quarters of the funds flow from the insurance industry the system can be classified as an "insurance-based" one. The assumption in the present system is that the majority of property owners, whether commercial or domestic, insure their properties against loss or damage by fire. Linking fire brigade costs to this assumption means that a major user group in the community can reimburse the insurer for the cost of funding the service.

Additionally, there is a vested interest by insurers in funding a fire service.

However, because all property owners do not insure their assets, the funding capacity of the fire services is significantly limited to a fairly narrow base. It is selective in that the greater burden of costs falls upon property owners who have chosen, or are compelled by various reasons, to insure their properties; it is inequitable; and it is open to avoidance.

But even recognising these facts the present system has some advantages.

The positives about the existing system

It works - the system is administratively efficient and inexpensive to operate and has a secure cash flow with no bad debts. It is flexible enough to raise the required amount of funds with a very low public profile as the levies, in many respects, are not fully understood. By and large, there are very few complaints from the community about the system.

As mentioned earlier in this report, the contribution by the State Government is minimal.

The negatives about the existing system

Insurance Inequity

The system is selective in that the greatest burden is with property owners who effectively insure their properties and contents. Property owners who do not insure contribute almost nothing towards the availability of fire services while those who under-insure only partly contribute.

Also there is a certain level of avoidance of the full or proper contribution from the industrial and commercial area.

A report of a Committee Reviewing Funding of Firefighting Services in 1988 stated:

> *It is difficult, if not impossible, to quantify the extent of non-insurance, under-insurance and offshore insurance, but it is variously estimated by different executives of the insurance industry at between 20% and 50%.*

Further, a Working Party examining the Victorian system in 1985 stated:-

> *Insurance industry statistics indicate that nearly 13% of Victoria's households carry no insurance on their homes and a further 20-25% are grossly under-insured. For the contents of houses, the equivalent figures are 25 to 40% respectively.*

The Insurance Council of Australia in their submission to this review, included the following comments:

> *Data on the recent NSW bush fires compiled by the NSW Department of Community Services, have indicated that of those bush fire victims that successfully applied for assistance, 34 homes (18%) totally destroyed lacked house insurance and a further 234 households (51%) lacked contents insurance. Further, some 81 (23%) either destroyed or substantially damaged were regarded as being under-insured by $30,000 or more.*
>
> *Data on under-insurance is poor. Indications from industry sources suggest significant under-insurance of buildings, by as much as 30% or more by possibly 20% of policyholders, and of contents by as much as 40% or more, by possibly 30% of policyholders. These numbers are only broad estimates, and no reliable data is available on domestic under-insurance.*
>
> *The best data on under-insurance and non-insurance by business are from the Newcastle earthquake where results of a study by the Hunter Valley Research Foundation suggest that 4.4% of business had no building insurance and 16% had no contents insurance. Under-insurance was estimated as 46% for buildings and 42% for contents.*

In referring to Australian Bureau of Statistics data the ICA stated:

> *The key conclusions about non-insurance which can be made from the ABS figures are therefore:*
>
> * *The <u>minimum level</u> of households without contents insurance is 28.76% (this assumes all home owners/purchasers who have insurance have both building and contents insurance although other information, such as that from the recent bushfires, indicates that this is not true);*

* *The minimum level of properties not paying building insurance is 11.15% (this assumes all private landlords pay building insurance, and are therefore subject to FSL, which may not be true); and,*

* *The minimum level of households not paying either house or contents insurance is 28.76% (this figure relates to direct payments by households, insurance which might be paid by landlords on rented properties and recouped in rents is not included).*

The NRMA Insurance Ltd submission included a comment on the level of under-insurance following the January bush fires:

> *" ... the extent of this under-insurance was estimated by our loss adjusters to be in the vicinity of 10%-30% for building insurance, and as great as 10%-50% for contents insurance".*

Another issue is that insurance premiums, on which FSL are based, do not necessarily relate to asset value as other factors such as risk and insurance market demands come into play.

It can be reasonably assumed that when the existing system was established, the insurance premiums in dollar terms, provided a reasonable relationship to the asset value and the risk through loss by fire.

The Insurance Council of Australia's submission pointed out that:

> *Fire claims are only a small part of the total premium cost of both domestic building insurance (4.7% of all claims by number and 26.0% by value) and domestic contents insurance (7.5% of all claims by number and 13.1% by value).*

Also it was stated that:

> *Differences in contents insurance premiums, and Fire Services Levy payments, between "high risk" and "low risk" suburbs occur due to non-fire risks (mainly burglary risk) which are totally unrelated to ability-to-pay or benefit from fire protection services. These differences reach over 300% in some cases, and are estimated to average over 90% in most cases.*

But I do not consider either of these latter points of great relevance for they are matters that can and should be addressed by the insurance industry as a commercial decision.

Local Government Inequities

One of the greatest inequities in relation to the Local Government contribution comes about where more than one council contributes to the same NSWFB Fire District. This is highlighted in the Sydney Fire District whose costs are apportioned over 37 councils on the basis of land values which alter as and when the Valuer General revalues an area. This bears no relationship to the actual costs of responding to incidents or the share of services received/ available for each council area.

By way of example, the Sutherland Shire's contribution to the NSWFB for 1994 was $1,256,531 compared to $743,216 by the Council of the City of Sydney and $507,864 by South Sydney Council and as mentioned earlier, the Shire also spent $1,023,087 on providing bush fire service facilities.

Further, no recognition is made of the financial value provided to local communities by volunteer firefighters who are required to contribute FSL on the same basis as other citizens. (By way of insurance premiums and on council rates.)

Many country areas receive a relatively cheaper fire service when compared to the major centres of Sydney, Newcastle and Wollongong. This is because the country brigades, to a large extent, are staffed by NSWFB volunteers who receive a retainer and are paid for responding to incidents whilst the major centres are staffed on a 24 hour basis. Also, the BFS is volunteer based.

Other Areas of Inequity

Transport

At present, only 6% of the total contribution, (via insurance premiums) are assumed to come from motor vehicle owners, however, 14.2% of fire callouts are vehicle related and brigades need to be provided with special rescue equipment. Rescue callouts account for 3% of total calls. Only 2.5% of premiums underwritten for motor vehicle insurance go into the weighted base on which contributions are determined.

Further, marine and baggage transportation only declare 1%, except for static risks (which include movements of goods and/or stock and/or materials associated with processing or storage operations) which are declared at 80%.

The amount of FSL collected from the transport sector is considered to be inadequate given the resource allocations required for the suppression of fire and other harmful events arising from transport activities.

Hazardous Material

Fire Brigade statistics show that 9.2% of total calls are in relation to hazardous conditions. Recent legislation (1993) provided for the charging for services rendered for attending hazardous material incidents anywhere in the State, but not for a fire within a Fire District even though the fire arose from a hazardous material incident.

It is important to recognise that hazardous material incidents is not a risk shared by major groups of the community, government or private householders.

The static risks associated with the storage and production processes are included in fire insurance premiums so a small contribution to funding with this group does occur. As to the equity of this funding, it can only be assessed against the level of asset protection and the rate of premium charged. Because of the nature of the risk one could assume full insurance and adequate premium rates would apply. It must be recognised, however, that the premium returns related to fire and not specifically non-fire hazardous material risks. Therefore, contributions through insurance premiums for these type of "hazmat" incidents may be equitable for this group.

On the other hand, with the transport of dangerous goods, contributions are made only if the commodity is insured during transit. This insurance premium is declared within the 1% of marine transit premiums declared.

Legislation for recovery of some costs on an incident by incident basis is ineffective. It is an inappropriate basis for funding a service that must be ready at all times for hazardous material incidents.

<u>Avoidance/Evasion of FSL</u>

Discussions with industry sources have so far been unable to provide reliable State wide estimates of levels of under-insurance, non-insurance, average deductibles, or the use of captives by business. This is because, unlike domestic insurance which normally involves the use of standard policies, commercial insurance policies are tailored to individual risks. Simple comparisons are difficult and average figures less than representative.

Apart from evasion/avoidance or minimising FSL by not insuring or under-insuring the following ways are available:

Use of "deductibles"

Organisations may elect to carry the first loss in their insurance program. This deductible is expressed either as a percentage of each layer of assets insured or as a fixed sum of the assets insured. The technique which is a form of self-insurance enables premium savings and hence savings in FSL.

When a rate reduction occurs for a level of self-insurance, the reduced gross premium means a reduced FSL and stamp duty and a lower premium pool for this class of insurance.

It is a legitimate practice and avoidance of FSL and stamp duty is a cost benefit to the policy holder. It is understood that the practice is widespread in fire insurance.

It is a prevalent technique when the market hardens (premium rates are increasing). The deductible is often limited by an aggregate deductible limit in any year.

A deductible can be classified as uninsured property even though it is part of an insurance contract in insurance terms. It merely forms part of the loss settlement.

"Netting of Premiums"

Insurance premium is gross when received from the policy holder. Gross premium, including FSL, is used to determine the declared premium in the system. The fire service levy is calculated on the gross premium.

When a premium is "netted" the gross premium is reduced by the percentage of commission or brokerage foregone and replaced by a fee paid by the insured to the intermediary. This fee is outside the insurance contract.

It is a technique merely to avoid FSL and stamp duty as it has no bearing on the insurance protection offered by the policy.

It is understood that the practice is widespread and is the most used form of avoidance. The practice may start at any premium level.

The range of netting is said to be between 15 and 20% of the premium which amounts to the same savings in FSL and stamp duty. In the existing system it transfers costs to other policy holders. For example in obtaining the same insurance coverage:

STANDARD	$	NETTING	$
Premium (a)	100.00	Premium	85.00
FSL (25%)	25.00	FSL	21.25
TOTAL PREMIUM FOR RETURN	125.00	TOTAL PREMIUM FOR RETURN	106.25
Stamp Duty (11.5%)	14.37	Stamp Duty	12.22
TOTAL (c)	139.37	TOTAL	118.47
Brokerage	15.00	Brokerage	NIL

NOTE: (a) Insurer treats both premiums as gross in its accounts.

(b) Insurer declares in return 80% of $125.00 ($100) or $106.25 ($85) thus reducing the premium pool for this class and shifting extra cost to other classes.

(c) Client pays insurer via broker $139.27 or $118.47.

Other Insurance Markets

A major commercial strategy is the practice of using "captives" and the off-shore insurance markets.

The use of off-shore captives or the off-shore insurance markets are opportunities for the owners of the captives or the policy holders to evade statutory charges including FSL. This may be through ignorance of their obligations, or by the manner in which premiums are paid to the captive, its re-insurers or its co-insurers.

Any insured asset located in New South Wales must bear an FSL, determined by the insurer declaring income under section 58 of the Fire Brigades Act, or bear an FSL to be calculated as laid down in the Act for owners or brokers who use insurers not declared under section 58.

This latter funding arrangement is governed by section 57 and 61 of the Fire Brigades Act and extends to include:

- Captive Insurance Companies (subsidiaries of Australian corporations)
- Captive Insurance Companies (subsidiaries of non-Australian corporations)
- Lloyds of London
- Foreign insurance markets

Captives

- Captive insurers do not declare premium income; their owners pay a contribution charge on premiums paid to the captive insurer.

- Brokerage is often replaced by a fee which creates a lower premium and saving in the contribution charge.

- Captive insurers re-insure their parents' insurance through the international re-insurance market or back into Australia with section 58 insurance companies. These transactions are termed re-insurance and may not be included as premium income. The net effect is that the original premium paid to the captive is reduced by the re-insurance. Owners may pay their contribution charge on the net premium retained by their captive.

- Captive insurers of foreign multi-national companies insure assets located in New South Wales either specifically with the captive or as part of a global insurance program. The captive may or may not pass back a premium charge to the local subsidiary for declaration under section 57. Owners may be unaware of their obligations.

- A review of a publication "Captive Insurance Company Directory 1993" revealed a number of well known large Australian companies are parent/sponsors of Captive Insurance Companies, mainly domiciled in Singapore. It was also noted that the companies have not filed returns with the NSWFB.

"Lloyds of London"

Insurance on risk in New South Wales may be placed with the Lloyds Market. At the moment, this premium income is declared under sectioin 57, a contribution charge is paid by the broker and FSL applied to the policy holders premiums.

The fire service levies payable by each participating organisation are controlled through the Fire Brigade Charges Scheme which is administered by Price Waterhouse.

The committee of Lloyds undertakes that only nominated subscribing brokers may place insurance business at Lloyds. Surveillance can only be monitored by sizing the premiums written by Lloyds and the contributions paid to the NSWFB.

Australia wide premium figures are published in the Insurance Commissioners Reports and are significant. It is not known if the NSW Fire Services are receiving the correct amount of levy.

"Foreign Insurance Markets"

Access to this market is for competitive advantage. There is easy access through brokers or agent networks. Scheme type arrangements, ie. binding arrangements for trade or affiliated groups, are placed in this market.

Non-receipt of declarations of premium income from owners or brokers means the non-payment of the FSL on premium.

All of these issues (the inequities) relate to equity between contributors, they do not change the global amount collected by the fire services on behalf of the State from insurers.

CHANGE IN FUNDING ARRANGEMENTS FOR OTHER STATES

Historically, the funding system of fire services in Australia is the "insurance-based" system. To date, only two states have changed this system. Tasmania made its initial change in 1979 and Queensland in 1984. In addition, Victoria has been reviewing their system for the past eight years. Other States are tinkering around the edges.

Associated implementation issues, the positive and negative aspects and other matters relative to the systems operating in the three beforementioned States are detailed in Appendix G.

The following is a brief comment on each State:

Tasmania

The Tasmanian system is a hybrid one, retaining some of the "insurance-based" features. The main sources of contribution are: Local Government (AAV basis) 47%; Insurance Companies (Industrial/Commercial) 22%; State Government 10% and Motor Vehicles 10%.

Although the system covers a broad base and is related to some extent to a "capacity to pay", there still exist inequities.

It is understood that some aspects of the system are currently under review.

Queensland

The system operating in Queensland is based on real property utilisation but has no relationship to the actual value of assets.

It has a broad base as all property owners contribute with the level of contributions relating to the expectation of service.

Local Government Councils are the collecting bodies acting as agents for the State.

While simple in concept, the system is complex and was extremely difficult to implement.

Inequities still exist within this system.

Victoria

Particulars of several reviews of the Victorian system are in the appendix. At this stage, there have been no changes to the "insurance-based" system which is basically the same as that operating in New South Wales.

OPTIONS

There can be no argument that an "insurance-based" levy system is deficient and in many respects is not fully understood, but it is a system that works, it raises the amount required for the fire services and it is administratively efficient and inexpensive to operate. As stated elsewhere in this report, there is no perfect system for the raising of fire levies but there are options which may be worth considering both short term and long term.

An ideal funding system would be one which draws its contributions from the whole community, which distributes the financial burden equitably according to the service provided, which takes account of self-protection, which is comparatively simple to administer and which is capable of adjustment as circumstances change. Unfortunately, such a system is not possible.

Key features of a suitable funding scheme should include:

1. All assets to bear a FSL irrespective of whether an insurance risk is underwritten.

2. There must be equity in any system of funding.

3. There must be a broadening of the contributor base.

Being mindful of who the potential beneficiaries of the fire services are and what are the available avenues for funding, the following options were identified:

Option 1: Retain the existing "insurance based" system with appropriate modifications.

Option 2: A "flat rate" levy system for residential property holdings together with a "differential rate" for the industry/commercial sector based upon assessed annual values of properties.

Option 3: Introduce a "flat rate" levy system (Queensland system).

Option 4: A levy based upon improved capital values of properties.

Option 5: A levy system for residential property holdings, maintaining the "insurance based" system for the industry/commercial sector.

Option 6: A levy system for residential property holdings together with a basic levy on the industry/ commecial sector, plus an insurance levy for stock, plant, etc.

Option 7: Provision of funds from increased electricity charges.

Option 8: Provision of funds from increased water charges.

Option 9: A levy system solely based upon unimproved capital values of properties.

Option 10: Compulsory payment of levy.

Option 11: Complete funding by Government from the Consolidated Fund.

Option 12: Privatisation of the fire services.

When considering the options the various issues should/must recognise the impact on the residents and businesses within the State, Government, Local Government, the fire services and the insurance industry, as well as any political implications.

Also, it is necessary to take into account that any changes or new systems developed must be based upon simplicity and be economic to administer.

Of the major alternatives listed the only logical options available can be classified as:-

- to enhance the existing "insurance-based" system
- to change to a "property-based" system.

Opportunities exist to provide some immediate relief from some of the inequities within the existing "insurance-based" system while proceeding to a complete, thorough and expert review by a high level committee of the appropriateness of a change to a "property-based" system.

The immediate practical changes to the existing system to provide both a higher degree of equity and a broader base of funding that could be considered cover: fire service levy avoidance; fire service levy evasion; contribution from road users and an appropriate level of fire service levy for hazardous material transport users.

If change is to take place, one of the greatest issues to be resolved in considering a change in systems is that of cash flow during the transition period.

As the current system provides funds in advance, the present methods of collection would be phased down and out upon the introduction of a new scheme.

It is inconceivable a Government could provide additional funds for the transition period of any change, estimated at over $100 Million. Unless the insurance industry is prepared to fund the transition period there cannot be any major change to the present basis of funding the fire services.

The ICA has stated that it:

> *will make whatever resources it can available to Government to achieve a proper changeover which meets the requirement of Government and the community.*

Further, in a supplementary submission to this review the ICA set out what they consider to be four key issues in the transition phase:

- *the cost of uncollected levy payments during the transition year, as a result of the switch to calculating and collecting the levy in advance instead of in arrears during the transition year;*
- *financing the "holding costs" of funding the first full year of the new system, when funds must be spent in the present but are only collected quarterly in arrears;*
- *the cost of creating the schedule of fee rates for properties, administrating the introduction of the new system and educating the public during the transition period;*
- *ensuring the future cost of maintaining and administering the schedule of fees is covered.*

Given a notice of change of two years, the ICA put forward the following suggestion to fund the transition costs:

> ***..... is to increase the FSL by one third over this period.***
> ***By this method insurers would accumulate funds which we believe would be sufficient to cover the costs of transition.***

I regard this suggestion as totally unacceptable. It would be unfair for property owners to be required to pay twice - once under the current system and again for the changeover.

The most suitable options for consideration and further development are options 1, 2 and 3.

The other options are considered unsuitable because they fail to meet the criteria for a suitable scheme of having simplicity and being economic to administer or they do not conform with the Government's policies on pricing and micro-economic reform.

Option 1 is to enhance the present system with suggested amendments. This option provides the opportunity for relief to the Local Government sector.

Options 2 and 3 are variations of a "property-based" system. The tax base and calculation method for these systems would require careful consideration and planning and would take considerable time for proper implementation. This is particularly relevant for Option 3.

Both Option 2 and 3 provides an opportunity for relief to both the Local Government and insurance sectors. The dissection of the amount to be raised from each sector in the community is the same for Options 2 and 3. It needs to be recognised that neither of these two options takes account of contents of properties, fire protection undertaken by owners, motor vehicles and tenancy arrangements.

Further, prior to any firm decision being made there should be extensive modelling to assess the feasibility of alternative proposals. I envisage the time needed to properly assess any proposed change would be at least twelve months.

Details of these three options follows. Particulars of the other options are detailed in Appendix G.

Option 1

This option retains the existing "Insurance Based System" with appropriate modifications to reduce the current inequities. While it is clear this system has fundamental problems, no matter what improvements are made inequities will persist under such a system.

Changes that can be considered are:

1. New South Wales Fire Brigades

    1.1 Local Government Issues

        1.1.1 Because of the system of apportioning the level of contributions from Councils in the Sydney Fire District, which is based upon the Unimproved Capital Value of properties, residential property owners are effectively subsidising the commercial/ industrial sector.

        Even though the Valuer General's analysis of rateable properties shows there are 1.9M residential and rural properties in the State compared to about 100,000 commercial/ industrial properties, the latter category requires a greater commitment of resources. The high fixed costs associated with the specialist equipment required to callouts to non-residential structures is greater than for residential properties.

        The Local Government and Shires Associations included in their submission a reference to a specific loading (50%) being applied to the UCV for the non-residential sector in recognition of the greater use and cost of providing fire services in that sector.

Present statistics suggest that a reasonable split of contributions between residential and non-residential is about 40-60 and the suggested loading achieves this ratio.

The levying of a differential loading on non-residential properties would to some extent address this inequity but prior to any decision statistical research needs to be undertaken to ascertain an appropriate loading.

1.1.2 The use of UCV as the basis of apportionment for Councils in the Sydney Fire District has caused severe, unpredictable and constant fluctuations in the annual level of contributions.

The fluctuations are due to the valuation cycle of the Valuer General, as all councils do not have common valuation dates.

By way of example in the current year's calculations for contributions from the Sydney Fire District, the variations in the amounts due ranged from an increase of 22.8% to a decrease of 22.1%.

To overcome the wide annual variations in councils contributions adoption of a five-year moving average of valuations should be considered.

1.1.3 In view of the changing demographic growth patterns of the Sydney metropolitan area and its surrounds, and having regard to the UCV issues referred to, the time is opportune to review the existing Sydney Fire District. At present areas such as Campbelltown and Penrith are outside the District.

Two alternatives are worth considering:

(a) Extend the Sydney Fire District to incorporate other areas such as Campbelltown, Penrith, Windsor, Richmond and the Blue Mountains; or

(b) Reduce the Sydney Fire District and create other peripheral defined fire districts for the remainder of the greater metropolitan area. The Sydney Fire District could be limited to the area nominated by the Commissioner of Inquiry - the Administration and Implementation of Strategic Planning and Development Control within the Sydney Region termed the "Sydney Planning Region". This area includes whole or part of the Cities of Sydney, South Sydney and Randwick and Municipalities of Botany, Waverly, Rockdale, Marrickville and Leichhardt,

1.1.4 A solution to overcome the three issues raised above (1.1.1; 1.1.2; and 1.1.3) is to consider obtaining a reasonable contribution to the fire services from road users.

Statistics of the NSWFB show that 14.2% of callouts for fires were in respect of vehicles. Furthermore, of the rescue calls (3% of <u>all</u> callouts) the majority were in relation to motor vehicles. There are almost 3.8 million vehicles registered in the State and 4.1 million drivers/riders licences.

At present, the assumed annual FSL from insurance premiums for motor vehicles, if the Insurance Council of Australia suggested levy is applied, is about $11 million or 5.6% of the Service's total funds.

A more realistic contribution from this area would be about $30M per annum.

There are two main alternatives available to raise the funding commensurate to the transport users group:-

(a) by way of increased levy on motor vehicle insurance premiums, or

(b) by a levy on motor vehicle registration.

Other ways available are increases in compulsory third party insurance, driver licences, or fuel charges.

Since not all vehicles are comprehensively insured, a more equitable distribution and the greatest spread across the community would come from a levy on motor vehicle registration.

The levy could be a flat charge or scaled for private, business and goods carrying vehicles. The level of any charge of this nature would be one for Government policy.

Realistically, higher charges should be incurred by vehicles for the carrying of goods and more particularly those carrying dangerous goods.

The Local Government sector contribution to the NSWFB for 1994 totalled $23.5M and even a flat charge of $9 per vehicle would provide sufficient funds to equal this contribution as well as the FSL now collected from motor vehicle comprehensive insurance.

If such a charge was levied there are a number of advantages:

- all vehicles must be registered;
- a flat charge can be assigned depending upon usage;
- the precedent for establishing this type of charge has already been established interstate;
- the cost of collecting this fee would be minimal.

By far the greatest benefits would be that the need for insurance companies to have a FSL on vehicle policies would be removed and more importantly it would eliminate the need for Local Government to contribute to the NSWFB.

Local Government would still contribute to the BFS and the current funding arrangements would stay in place. If the councils' current contributions to the BFS were to cease, the suggested charge would need to be increased by $2 to $11.

The FSL system would become simplified as there would no longer be the problem of apportioning fire districts' estimates on the UCV basis across participating councils.

Savings to ratepayers of about 1.5% of rates can be passed on by the system of rate pegging by the Department of Local Government.

Further, as 6.6% of <u>all</u> callouts relate to attendances at spills and leaks of hazardous material where there is no ignition, it is suggested that a separate levy be attached to this particular commercial user group.

This can be effected by legislation being amended to ensure that organisations with significant storage, materials handling or processing hazardous material risks, are required to register. With registration a small contribution is collected towards the annual cost of operating hazardous material response from the fire services.

1.2 Insurance Industry Issues

1.2.1 As mentioned at page 9, amend the Fire Brigades Act to eliminate the need to convert financial year budget figures to calendar year for the calculation of required contributions. If the present system is not changed there is a need to: review charge rates for services rendered; review asset values and associated depreciation charges; institute audits of insurance companies; and undertake a review of the "Proportions of Premiums Subject to Contribution".

1.2.2 Minimise the incidence and level of avoidance and evasion of the FSL by introducing stricter legislation.

There is a need to counteract: the use of layering or deductibles schemes (by providing for the FSL to be paid through the insurance structure on the asset values under such schemes); and the netting of premiums (by a requirement for discounts to be added back on as premiums). The increase of penalties for not adhering to the provisions of the Act by the use of captive insurance and the foreign insurance market should be considered.

Under current legislation the Auditor General can, at the request of the Minister, examine and audit the records of insurance companies, although this course of action, to my knowledge, has never been taken.

It is suggested that the NSWFB maintain an in-house audit service, staffed by personnel experienced in the insurance industry, with power to audit company records to ensure legislation is adhered to.

Further, as an incentive to the NSWFB any additional levies collected as a result of audits could be retained by the organisation for future capital expenditure.

1.2.3 Substantial inequities exist in the method of applying FSL to specific areas including underground coal mining industry, farming, and the burglary portion of householders insurance. It is suggested that the percentages used to arrive at the weighted insurance premiums base as per Schedule 1 of the Act be reviewed.

This suggestion is made having regard to the following considerations:

- the NSWFB does not attend underground mining incidents - these are the responsibility of the Mines Rescue Service to which all collieries contribute.

- the remoteness of rural properties, many of which cannot be readily serviced by the NSWFB.

- insurance premiums payable for householders' policies can vary from one locality to another mainly because of risks other than fire. ie. burglary.

  It is recognised that to some extent allowance is made for this type of risk in the payment of FSL as the total premium received is not subject to levy, eg. householders' policies are returned at 50% of premium.

1.2.4 The rate of charges for service activities could be reviewed to assess a more appropriate "user-pays" policy. Such services include callouts to false alarms and uninsured properties, non-fire Hazmat incidents, private fire appliance servicing, building inspections, etc.

2. NSW Bush Fire Service

2.1 The current ratio of contributions be maintained.

2.2 Government departments and organisations, who have land under their control from which fire could threaten residential or other property (ie. National Parks and Wildlife Service), could contribute towards the operational costs and standing costs of capital equipment of individual councils.

2.3 There is a wide variation in the level of funding to local Bush Fire Brigades, mainly because of the financial strength of individual local councils. The varying standards of equipment available to brigades could be reviewed to increase the subsidy to those areas with a smaller revenue base. Several submissions referred to the need for better firefighting equipment for country brigades.

2.4 Greater flexibility should be considered for councils in the direct purchasing of equipment within standards set down by the BFS. A pilot program covering several councils is suggested.

Option 2

Develop a "flat" rate levy for residential and rural property holdings and a differential rate levy for the commercial/industrial sector based upon an Assessed Annual Value of properties.

This system is based to a large extent on "expectation of service" concepts and allows for flexibility and consistent treatment of the beneficiaries of the fire services. These concepts cover the considerations that:

- most properties receive no direct service from the fire services, but benefit because of the services' ability to respond in the case of fire or related need;

- the level of service or response of the fire services to a fire, and the level of response expected by property owners, is dependent upon the type of property. Higher expectations and levels of service are associated with larger risk properties;

- the response of the fire services will be the same for similar properties within specified service areas;

- the basic cost of labour and equipment to maintain brigades in readiness are constant even when no direct services are being provided.

For this system, the distribution of costs must be carefully watched to ensure that the community as a whole does not bear the cost of maintaining a service for a smaller number of fire risks.

According to an analysis by the Valuer General's Office of the 2.085 million rating valuations in the State, there are:

1,810,000	Residential Properties
140,000	Rural Properties
92,500	Commercial Properties
42,000	Non-rateable Properties

The analysis was based on the Grants Commission methodology. This concentrates on isolating "genuine" commercial and rural properties by aggregating all residential uses together, even where these are located on land zoned, for example, Non-urban such as 2 ha subdivisions. Non-ratable lands include church, institutional and government properties as well as parks and reserves.

At present the Valuer General's Office data base does not have separate valuations for home units, town houses and flats that are contained in one development or strata plan. As a result, there is no data base record of, e.g. the numbers of units in blocks of flats, the numbers of offices and shops in commercial buildings or factory units in industrial complexes. Much of this information is held by the VGO but not on data base, although a project is now underway to expand the Land Tax segment of the main file to identify each separate strata lot. There are some 500,000 such lots statewide and the project is due for completion in 1995.

When this task is finalised, there will be a complete central record of all individual rateable properties.

A difficulty with this option is in determining the appropriate individual levies between residential and commercial.

Following is an example of determining appropriate levies as basis of funding.

As a guide and taking the aggregate of the two fire services, the amount to be funded overall from properties could be:

	$ Million
Aggregate budgets 1993/94	261
Less - Other Revenue and Capital funding acquired from other sources	25
	236
Less - Consolidated Fund Contribution 14% of $236 ($33) - less loss of stamp duty (+ $16)	17
Plus Commission	2
Balance to be funded from other sources (in this case properties)	221

Although the NSW Treasury did not make a submission to the review process at an interview with senior Treasury officers, it was indicated that any alternative system should be revenue neutral to the State.

Using figures extracted for the assumed FSL collected from insurance premiums, the commercial sector contributions represent 54% of the total; fire and hail on growing stock 1.6%, motor vehicles 6%, and residential and personal effects 38.4%. Taking these figures and excluding motor vehicles, it would be reasonable to envisage that the commercial sector contribute at 56%, rural at 2% and residential at 42%.

(It is noted that these percentages are relatively close to the split of costs estimated by the Queensland Fire Service: 62% commercial and 38% residential.

<u>Rural</u>

As many rural holdings are not readily serviced by the fire service, it is suggested that properties be levied at a basic charge.

Applying the above suggested rural percentage to the amount to be funded ($221M) the rounded amount to be raised from this sector is $4M. This equates to about $30 per property.

<u>Residential</u>

Applying the suggested contribution (42%) to the amount to be funded ($221M) equates to about $93M.

Determining the appropriate individual residential levy depends upon the classification system adopted, having regard to the service expected in different locations.

Of the total residential properties (1.810 million) a proportion is vacant land. Using a conservative figure of 3%, the number of properties in this category would be 54,000. By applying a minimum rate of $20 to these properties a total of $1M would be generated.

The balance of residential properties (1.756 million) would need to find $92M.

As the delivery of fire service available depends upon station manning, there should be at least two levels - one for brigades with permanent staffing and another for other brigades.

As a guide only, it is estimated that the number of properties serviced by brigades with permanent staff is estimated at around 1.35 million leaving 400,000 other properties to be serviced by other brigades. Applying rates of $57 and $40 respectively to the two levels of brigades, this would produce $93M.

The Insurance Council of Australia submitted that a survey undertaken showed that the average FSL and associated stamp duty for combined building and contents insurance was currently $58. If the ICA estimate of Local Government contribution is taken into account the total average cost of FSL to residential ratepayers is $69.

The ICA in a further submission to this review projected estimated FSL fees of $58.60 for Sydney; $46.88 for other urban areas and $38.54 for rural properties. Their philosophy was similar to that of this option but different figures were used for cost components and total contributors.

The rate in Queensland for residential properties serviced by permanent fire officers is $84.20 per annum.

Commercial

As with the methodology for rural and residential properties and applying the suggested contribution (56%) to the amount to be funded ($221M) about $124 needs to be raised.

Although the Assessed Annual Value (AAV) has not been used as a basis for rating for some years, it is a system that has some relationship to the improved capital value of properties.

The AAV is based upon nine-tenths of the fair average annual value of land and improvements. In determining the AAV of any land being premises occupied for trade, business, or manufacturing purposes, the value does not include the value of any plant, machines, tools, or other appliances which are not fixed to the premises or which are only so fixed that they may be removed from the premises without structural damage thereto.

During discussions with the Valuer General, he indicated that to access the commercial sector AAV valuations of archived prime records and to update those records, new valuations could be in place within twelve months.

If this basis was to be used, individual assessments would be calculated by dividing the individual AAV by the total AAV, and multiplied by the total amount to be collected from the commercial sector ($124M). As with the residential sector a differential rate would need to be determined between permanently manned brigades and other brigades. The rate could be at the same ratio, ie. at about a 30% discount.

To draw this together by way of example, and using the above assumptions, the source of funds could be:

			$Million
Rural			
	140.000 @ $30		4
Residential (a)(b)			
	Vacant Land		
	54.000 @ $20	1	
	Other		
	1,135,000 @ $57	77	
	400,000 @ $40	16	94
Commercial (a)			124
	(56%)		222

(a) Additional funds will be raised from the some 500,000 multiples contained in development or strata plans.

(b) Allowance will need to be made for properties subject to pensioner rebates (the number for 1994 is projected to be 340,000).

The additional funds raised from (a) would more than offset the cost of the pensioner rebate scheme.

Note: The Commonwealth Government would contribute as per present agreement and Local Government properties would be liable to FSL.

Setting of the split between residential and commercial and the levels of contribution within these classifications must ultimately be a policy decision by Government.

Option 3

Introduce a "flat rate" levy similar to the system adopted by Queensland in 1984 where properties are categorised within various groups. Property owners pay a fixed levy related to the expected level of fire protection provided.

The system is based upon the principle of a "contribution relative to the expectation of service" which is close to a "user pays system". The basic concept for this system is that the greater portion of the cost of the fire services are not incurred in firefighting but in maintaining brigades in a state of readiness. It recognises that response times by brigades for similar classes of property is the same.

There are many similarities between this option and option 2 and many of the comments included in option 2 are relevant to this option. The only major difference is the method of determining the rate of contributions from the commercial sector.

This system uses a schedule of fees to levy properties with each property falling within one of the different 160 classifications. The residential classification accounts for 91% of the properties in Queensland, about the same percentage as in New South Wales.

If this system is to be further reviewed, it is suggested that the number of classifications be less than in Queensland.

The Queensland system has been described and commented upon in detail in Appendix G of this report and many elements of this system are worthy of consideration.

It is recognised that this system once tried and tested has a certain number of advantages but there are also associated disadvantages. The establishment costs to implement such a system would be significant.

Further, because of the issues detailed in Appendix G regarding this system, particularly the grouping of properties together for a common charge, inequities will continue.

On the other hand, much can be learnt from the experience gained in Queensland.

<u>Summary - Options 2 and 3</u>

These options would only be valid if the collection of the levy was undertaken by the Local Government authorities acting as agents for the State Government. Other collection alternatives have been suggested such as private collection agencies and the Office of State Revenue but because of the diversity of data bases in Local Councils and the need to create a State wide master data base needing continual updating, both of these alternatives are considered unacceptable.

To compensate councils for the administration of the system, there would need to be some financial adjustment either by commission on a sliding scale of collections or by a fixed charge per assessment.

Councils would have the benefit of a cash flow prior to remittance to the State.

The Local Government Association and Shires Associations stated in their submission that:

> *The Associations reject the proposition that Local Government could play a role of a collection agency on behalf of the State Government.*

By far the most important issue to any change is the question of who provides the funds and the cash flow during the transition period. The issues associated with any transition are detailed at pages 39 and 40 of this report.

Should a change be made to the funding system using either of these two options the community must be ensured that all persons taking out property insurance receive an equal proportional benefit by reduced premiums.

Finally, these options allow for the establishment of one firefighting fund with a minimum legislative proportion being allocated to the Department of Bush Fire Services.

CONCLUSION

The present broad scheme of funding fire services in New South Wales has shortcomings in relation to the fairness and equity of the methods of raising funds, and in ways in which moneys are then distributed to ensure effective protection to the community.

However, the present scheme offers an efficient method of collecting the funds and is readily administered.

While there are many alternative ways to finance the fire services, only three are thought feasible. Of these, the first offers a way to address some of the limitations of the present "insurance-based" system, while retaining its strengths.

The remaining two alternatives, by moving away from insurance-based funding, allow fairness and equity questions to be directly faced, but they are administratively more problematical and either could present transitional difficulties if implemented.

Whichever route is taken, the complexities of the subject dictate that an entirely fair, perfectly equitable and absolutely efficient scheme is probably impossible to attain.

APPENDICES

APPENDIX A

FIRE SERVICES FUNDING REVIEW

SUBMISSIONS

Submissions were received from the following:

Organisations (16)

Australian Consumers' Association
Biofax Australia Pty Ltd
Building Owners and Managers Association of Australia Ltd (BOMA)
Insurance Council of Australia Ltd
Inverell Bush Fire Service
Local Government and Shires Associations of NSW
Local Government Electricity Association of NSW
National Insurance Brokers Association
Nicholas Clark and Associates
NRMA Home Insurance Ltd
NSW Coal Association
NSW Farmers' Association
NSW Fire Brigades
NSW Valuer-General
State Chamber of Commerce
Vaucluse Progress Association

Individuals (9)

Boon, Ms Rosemary
Cullane, Group Captain N D
Klugman, K
Meredith, Mr Warren
Park, Mr K E
Pye, Ms W (representations from the Honourable K Chikarovski MP, Minister for Industrial Relations and Employment, Minister for the Status of Women, Member for Lane Cove)
Rossington, Mr L B (representations from the Honourable G Souris MP, Minister for Land and Water Conservation, Member for Upper Hunter)
Thrupp, Mr Kevin W
Tonge, Mr G F

Local Councils (21)

Auburn Council
Baulkham Hills Shire Council
Burwood Council
Canterbury Council
Concord Council
Fairfield City Council
Holroyd City Council
Hornsby Council
Hunters Hill Council
Kogarah Council
Liverpool City Council
Manly Council
Mosman Council (submission + representations from the Honourable P Collins MP, Treasurer, Minister for the Arts, Member for Willoughby)
North Sydney Council
Parramatta City Council
Randwick City Council
Sutherland Shire Council
Uralla Council
Waverley Council
Willoughby City Council
Wollongong City Council

APPENDIX B

FIRE SERVICES FUNDING REVIEW

INTERVIEWS

Interviews with the following persons from New South Wales

Brooks, B - Representative, Insurance Council of Australia
Cunningham, P - Valuer-General of NSW
Henri, C - Regional Manager (NSW) and Staff, Insurance Council of Australia
Keady, T - Director-General and Staff, Ministry for Police & Emergency Services
Kidnie, M - Secretary and Staff, Local Government and Shires Association of NSW
Koperberg, P (BEM MAIES) - Commissioner and Staff, Dept of Bush Fire Services
Lambert, M - Deputy Secretary and Staff, NSW Treasury
Lewis, B - former Local Government Fire Commissioner
Millar, C & Smith R - Coopers and Lybrand
NSW Farmers Federation - Delegation
Porter, D & Streeter, S - NSW Coal Association
Rath, P - Director-General and Staff, NSW Fire Brigades
Rayner, J - General Manager, Sutherland Shire Council

Interviews with the following interstate persons

Barry, J - President, Melbourne Metropolitan Fire Brigade
Calligan, C - Gold Coast City Council
Foster, L - Chairman, Victorian Country Fire Authority
Freirich, D - Brisbane City Council
Hallam, G - Executive Director, The Local Government Association of Queensland
Harrison, S - Commissioner, Queensland Fire Services
Lovass, F - Acting Deputy Secretary, Department of Justice, Melbourne
Marten, P - Queensland Bureau of Emergency Services
Ripper, W - Queensland Bureau of Emergency Services

APPENDIX C

SCHEDULE 1—PROPORTION OF PREMIUMS SUBJECT TO CONTRIBUTION

(Secs. 55, 58)

COLUMN 1 *Classes of policies of insurance*	COLUMN 2 *Proportion of premiums subject to contribution*
PART A	
1. Any insurance of property including consequential loss but not including any insurance of a class specified elsewhere in this Schedule	80 per cent
2. Houseowners and householders, however designated (buildings or contents or both)	50 per cent
PART B	
3. Personal combined on personal jewellery and clothing, personal effects and works of art	10 per cent
4. Motor vehicle and motor cycle	2.5 per cent
5. Marine and baggage—any insurance confined to maritime perils or confined to risks involving transportation on land or in the air, including storage incidental to transportation by sea, land or air, but not including *static risks (which are to be declared under Item 1)	1 per cent
[Note *static risks includes all movements of goods and/or stock and/or material associated with processing or storage operations at any situation.]	
6. (a) Combined fire and hail on growing crops	1 per cent
(b) Live stock	1 per cent
7. Aviation hull	Nil
8. Any insurance solely covering:	
(a) Loss by theft	Nil
(b) Plate glass	Nil
(c) Machinery—confined to mechanical breakdown and/or consequential loss arising from mechanical breakdown	Nil
(d) Explosion or collapse of boiler and pressure vessels—confined to damage other than by fire	Nil
(e) Inherent or latent defects—confined to damage and/or consequential loss arising out of defective design, defective workmanship or defective materials but excluding any damage or consequential loss arising from fire	Nil

APPENDIX D

ANALYSIS OF ASSUMED FIRE SERVICE LEVIES FROM DECLARED PREMIUMS

1990 TO 1993

1990 Advance Contribution	1988 Premium Assessment ($)	Assumed FSL Generated ($)
Consequential Loss	337,980,749	65,415,629
Householders & House Owners	345,234,264	42,397,190
Personal	22,678,040	4,389,298
Marine & Baggage	81,614,600	15,796,374
Combined Fire & Hail	25,765,200	4,986,812
Motor Vehicle	921,923,480	0
Total	*1,735,196,333*	*132,985,303*
1991 Advance Contribution	**1989 Premium Assessment ($)**	**Assumed FSL Generated ($)**
Consequential Loss	326,506,720	82,844,989
Householders & House Owners	368,693,140	61,448,857
Personal	24,545,700	6,228,013
Marine & Baggage	88,021,400	22,333,788
Combined Fire & Hail	23,885,100	6,060,399
Motor Vehicle	973,737,840	0
Total	*1,805,389,900*	*178,916,046*
1992 Advance Contribution	**1990 Premium Assessment ($)**	**Assumed FSL Generated ($)**
Consequential Loss	344,284,389	77,397,266
Householders & House Owners	422,117,408	58,223,091
Personal	25,144,110	5,652,552
Marine & Baggage	89,859,100	20,200,883
Combined Fire & Hail	21,149,280	4,754,489
Motor Vehicle	1,078,959,000	10,682,762
Total	*1,981,513,287*	*176,911,043*
1993 Advance Contribution	**1991 Premium Assessment ($)**	**Assumed FSL Generated ($)**
Consequential Loss	385,717,000	74,654,903
Householders & House Owners	512,205,000	62,902,368
Personal	24,723,000	4,785,097
Marine & Baggage	93,020,000	18,003,871
Combined Fire & Hail	14,700,000	2,845,161
Motor Vehicle	1,112,012,000	11,010,020
Total	*2,142,377,000*	*174,201,420*

APPENDIX E

SCHEDULE 2—CONTRIBUTIONS OF INSURANCE COMPANIES

(Sec. 34)

COLUMN 1 Classes of Policies of Insurance	COLUMN 2 Amount of Premiums Subject to Contribution
(1) Any Insurance of Property and including Consequential Loss but not including any Insurance of a class hereinafter specified	80 per cent.
(2) Houseowners and Householders, however designated (Buildings or contents or both)	50 per cent.
(3) Personal Combined on personal jewellery and clothing, personal effects and works of art	10 per cent.
(4) Motor Vehicle and Motor Cycle	2.5 per cent.
(5) Marine and Baggage—Any Insurance confined to maritime perils or confined to risks involving transportation on land or in the air, and including storage incidental to the transportation by sea, land or air, but not including other *Static Risks which are to be declared under Item 1 .... N.B.: *Static Risks includes all movements of goods and/or stock and/or material associated with processing or storage operations at any situation.	1 per cent.
(6) (a) Combined Fire and Hail on Growing Crops	1 per cent.
(b) Live Stock	1 per cent.
(7) Aviation Hull	Nil.
(8) Any insurance solely covering:	
(a) Loss by Theft	Nil.
(b) Plate Glass	Nil.
(c) Machinery—confined to mechanical breakdown and/or Consequential Loss arising from mechanical breakdown	Nil.
(d) Explosion or Collapse of Boiler and Pressure Vessels—confined to damage other than by fire	Nil.

APPENDIX F

CHANGE IN FUNDING ARRANGEMENTS FOR OTHER STATES

TASMANIA

Prior to 1 November 1979 there existed in Tasmania, the State Fire Authority, the Rural Fires Board and 22 urban fire brigade boards, the funding for which was variously provided by the State Treasury (31.45%), Local Government (18.47%), Insurance Companies (48.73%) and Commonwealth Government (1.34%). As of 1 November 1979 all those fire service bodies were amalgamated to become the Tasmania Fire Service, under the control of the State Fire Commission. From that date, funding arrangements were changed. An improved system of funding was devised to provide a more adequate fire prevention and suppression capability for the whole of the State, while at the same time, spreading the funding provisions more equitably across the community. Recognition was given to the fact that not all people carried insurance, and it was decided that a ratepayer based levy to raise the major portion of the required revenue was more appropriate. This system of funding has continued to the present with amendments and adjustments from time to time.

Overall funding for the Commission in 1992/93 was derived in the following proportions:-

Local Government contributions	46.97%
Insurance company contributions	21.98%
State Treasury contributions	10.49%
Commission/Brigade revenue	10.42%
Motor vehicle registration levy	9.50%
Commonwealth Government contributions	0.64%

Local Government Contributions

Prior to 1 November 1979, each municipality contributed to the operating costs of fire brigades on an ad hoc basis. This system was regarded as inequitable and a system was designed whereby each ratepayer contributed to the operating costs of fire brigades in relation to the level of service provided. The system established four categories of fire brigade area.

- <u>Permanent Urban Brigades</u>
  These are the Hobart and Launceston Fire Brigades which are fully manned by permanent firefighters in their major stations, with outlying stations supported by volunteers.

- <u>Composite Urban Brigades</u>
  These refer to the brigades in Burnie and Devonport which have both permanent and volunteer firefighters.

- <u>Volunteer Brigade Districts</u>
  Some 69 towns throughout the State have designated districts and are manned on a volunteer basis. Volunteers in 31 of these brigades are retained on a part paid basis.

- <u>All Other Volunteer Brigades</u>
  The remainder of the volunteer brigades which serve the community over the rest of the State.

The intent of the above categories was to establish a level of service with a level of contribution. Taking a base level, and using a factor of one for the lowest category of brigade, the other brigades are assessed by multiples of two, three and four respectively.

The three major categories of brigade have legally gazetted brigade districts, the boundaries of which give due recognition to acceptable response times, provision of reticulated water supplies, population densities etc. Within these districts the ratepayer pays a levy relative to the brigade category. All land outside of gazetted brigade districts attracts a levy at the base level.

The basis used for the calculation of the Local Government Levy is the Assessed Annual Value (AAV) of rateable land.

The ratepayer contribution is subject to a minimum levy, which is approved by the Minister. The AAV level to which the minimum levy is applicable, is set in the same way in relation to each of the four brigade categories. In practice the minimum levy, which was originally set at $25, does not change, but rather the AAV level to which it applies changes to match the annual inflationary factor. The estimated average levy paid in Hobart is about $120 whilst the rate for properties outside of the three major categories of brigade is about $27.

The estimates of expenditure and required revenue of the Commission for the ensuing year having been prepared, the State-wide total amount of revenue required from Local Government for each brigade category is established.

The Tasmanian Valuer-General provides particulars of the total number of all non-exempt rateable properties and their AAV, in each municipality within the State. From these figures the number of properties in each municipality that will only be required to pay the minimum levy is calculated. The State total of revenue to be received from the minimum levy is then deducted from the State total requirement.

The total AAV for all properties, in each brigade category in each municipality, that are required to pay a levy above the minimum levy, is then expressed as a percentage of the State total AAV for that brigade category. This percentage is then applied to the remaining required total State revenue for each brigade category, providing the revenue required from each municipality. To this is added the revenue to be received by the municipalities from the minimum levy which establishes the total contribution required from each municipality in respect of each brigade category.

The municipalities raise the required amount by means of a rate in the dollar against the ratepayers AAV and remits the contribution to the Commission on a quarterly basis, after deducting a 4% collection fee.

Insurance Company Contributions

Contributions are payable by commercial and industrial undertakings over and above the Local Government levy.

A Fire Service Levy is imposed on certain prescribed classes of insurance premium. These classes are:-

- fire insurance;
- loss of profits insurance;
- contractors' risk insurance;
- aviation hull insurance;
- marine cargo insurance;
- boiler explosion insurance; and
- any other class of commercial and industrial insurance, (having a fire insurance content) other than an exempted class of general insurance.

The percentage levied is:-

- marine cargo insurance 2%
- aviation hull insurance 14%
- all other insurance 28%

There are 20 exempted classes of insurance, the major categories being:-

- all motor vehicle insurance;
- house owners and householders insurance or any fire insurance cover of a dwelling;
- crop and livestock insurance;
- burglary insurance;
- personal accident insurance;
- public liability insurance;
- employer's liability insurance;
- professional indemnity insurance;
- all risks/baggage insurance.

While some of these classes of insurance have a fire content, they are subject to a levy in some other form, eg; motor registration levy or Local Government levy.

Commission/Brigade Revenue

Income within this heading includes interest earned on deposits, alarm monitoring fees, plan approval fees, avoidable false alarm charges and fees for the provision of fire reports.

Motor Vehicle Registration Levy

A levy is made on the registration and renewal of registration, of motor vehicles other than motor cycles.

The levy payable is based on the financial year 1990/91 figure of $9 which is indexed.

Commonwealth Contributions

This contribution is based on an amount negotiated in the past which has been subjected to a CPI type inflationary factor. It is understood it has some relationship to the cost of providing fire protection to those Commonwealth properties which are exempt from paying a Local Government levy.

Summary

One of the factors with the Tasmanian system is that it was adopted, implemented and administered by Local Government fairly easily as the levies were based on the existing basis for rating (Property Assessed Annual Values). But the change was not without difficulty and several changes and further amendments to the levy structure have been made to date.

To some extent the system was related to the contributors "capacity to pay", but it produced a bone of contention between rural and urban areas and between private and commercial holdings. These issues lead to changes to the system but not before there were both administrative and political problems.

There were conflicts between cities and towns regarding brigades serving both areas. Also an imbalance between areas serviced by permanently manned brigades and those serviced by auxiliary brigades was shown. For the first time, individuals in the community knew how much they were paying for fire protection.

There was further criticism that the commercial and industrial sectors had achieved a major advantage as there was no contributions for stock, plant, etc. and that the burden was transferred to the residential owner.

In addition, many volunteers in the rural areas had their contributions increased. This factor alone put pressure on the Government for change.

Although it is a good attempt to have a fair system there still exists inequities particularly with ratepayers having property in adjoining municipalities within the same fire brigade district. These property holders can find themselves paying a different rate in the dollar for the same service.

It has been said that now there is some unease within the commercial and industrial sectors regarding what they consider to be the inequitable effects of the remaining insurance-based component.

Also the straight 4% collection fee is considered to be inequitable, in that the costs for collection vary from at least 4% for the small municipalities, to less than 2% for the larger cities. A sliding scale of collection fee has been proposed but has met opposition from the Municipal Association. Other avenues of collection are currently being examined.

It is understood that further reviews of the system are being considered.

QUEENSLAND

Prior to 1984, the Queensland Urban Fire Brigades (some 81 Fire Boards now a single authority) were funded 75% by a levy charged on the sum insured for policies with fire content; 12.5% by precept on Local Government; and 12.5% from the State Government. The financial arrangements for the Bushfire Brigades was, and still is, the responsibility of local communities with a Government supplement.

Effective from 1 July 1984, direct Local Government contributions were abolished, insurance funding phased out but the State Government contribution retained. Replacement funds were provided by a "flat" real property levy on all holdings within the urban brigade areas. Levies are based upon property utilisation and bear no relationship to the actual value of the property or its contents.

The new system was phased in over a two year period. The first stage was applied to private dwellings, certain home units and vacant land. The second stage to commercial and industrial properties.

Because the State Government had no suitable administrative system for the collection of the levy and to develop one would involve significant additional costs, Local Government became the collecting agent for the Government as Councils had basic data of properties. For this service, Councils are paid a fee for each assessment and benefit from the temporary use of the cash flow from collections. Remittance of levies to the Government is required four times per year. Councils, also, are charged a levy.

The main benefit from the change is that there is a wider coverage of contributors.

The basic principles of the changed system are summarised:

- The sharing of fire service costs by all owners of properties served by brigades
- Levels of contributions relate to the expectation of service rather than the value of the property receiving protection.
- Response capabilities of brigades serving an area determined by the level of contribution.

Urban brigades were grouped into four classes for funding purposes and levies set accordingly. The highest levy for any particular class of property applies in the major cities which are serviced by large permanently manned brigades. Progressively lower levies then apply the lowest being for all auxiliary brigade areas.

The levies relate directly to an expectation of service.

While simple in concept, the system is complex and was extremely difficult to implement.

Although stage one of the new system was administratively not too difficult to implement, stage two created significant problems both in the transitional period and the subsequent years. Mostly, there was extreme political backlash coming both from the property owners and the Local Government area.

Local Government authorities were initially hesitant in adopting the new system as many councils were concerned principally with the odium that could be attached to the collecting of revenue for another sphere of Government.

The tooling up period took about five years mainly because of the lack of basic information regarding land usage and comparable insurance particulars. It was necessary for those involved with the system design to undertake extensive field work to create financial models to establish the working levy schedules. It was also necessary to produce a detailed manual to assist councils in determining property categories. Not only was there a very wide range of property types and usage, with almost infinite graduations between property classes, but the varied associated fire protection requirements also had to be taken into account.

The cost of establishing the system is not known. By way of example, Brisbane City Council needed to employ additional inspectors to undertake the initial categorisation of properties within its area. Other councils also found the task a major one.

After implementation there were significant problems, not the least being that the Fire Services Trust Fund went into deficiency to some $37M. The present shortfall is about $6M which is financed by a Treasury loan.

Other problems which created considerable outcry among the business community were associated with the introduction of the industrial/commercial levy. Major objections were:

- Because the system was based on property type and size and worked on grouping properties together, no account was taken of quality of improvements, value and type of contents, etc. Some property owners gained an advantage and others were disadvantaged when compared to the previous system.

- Previously many property owners either had not insured or substantially under-insured.

- Many property owners were not aware of the amount they had previously contributed through the insurance based system as they had presumed the amount they paid to their insurance company was all insurance related.

- Many property owners disagreed with the philosophical change from a property value based system to a fee for service (ie. a fee for having a Fire Brigade available).

It was mainly because of these issues the system was changed to provide for property holders to appeal against their determined category. As appeals allowed for the payment of levies to be deferred, it had the effect of causing both cash flow problems and a high level of bad debts.

The level of bad debts is currently around $7M but they are recoverable as the levy forms a charge on the property.

There are many perceived anomalies in the system which mainly relate to the categorisation of properties. From time to time, Local Government authorities and commercial sector interests have made representations about anomalies and the amount of levy payable on properties. Consequently, there has been a considerable amount of fine tuning to the scheme since its introduction and changes are continuing.

Particular areas of concern include: multi-level private residences; strata title units; drive-in shopping centres; and high rise apartment buildings.

Other issues cover:

- The same levy is charged for a three level luxury mansion worth over a million dollars as a small two bedroom fibro or weatherboard home.

- The levies payable on high rise apartment buildings can vary substantially. These variations result from the comparative sizes of the units within the building, and whether or not the units are held under strata title. The extent of the variation is demonstrated by an example on the Gold Coast where neighbouring buildings both of 18 storeys attract levies of $1,892 and $5,108 respectively. The higher levy is paid in respect of a building which consists of 62 units each with a unit title. The anomaly is heightened by the fact that there are 133 units in the building which attracts a lower levy because the units are not levied separately.

- No account is taken of the contents of buildings such as stock, plant and equipment.

- Levies are raised against property owners and not tenants.

- Arbitrary judgments of various categories (ie, there are nine different rates for shopping centres ranging from those "less than 4050m^2 to those" greater than 60,000m^2 in a series of increments not exceeding 10,000m^2.

There also appears to be an imbalance between levies collected from the residential sector and the commercial/industrial sector compared to the resources required and service delivery. The present ratio is about 60% non-residential and 40% commercial/industrial.

The greater commitment of resources to the commercial sector arises from:

- Frequency of alarms, particularly through the widespread use of automatic alarm and detector systems in commercial/industrial premises.
- The larger scale of operations needed to control major outbreaks of fire in large commercial/industrial premises. Virtually all of the more specialised fire appliances maintained by the fire service are required only to deal with commercial/industrial risks. The need for greater numbers of firefighters at any one incident also is a feature of the larger commercial/industrial risks.
- The character of the commercial/industrial sector as the source of virtually all chemical incidents whether on-site or in transportation.
- The higher levels of training needed to prepare crews for large scale fires with attendant special risks.

To illustrate the difference between commercial and non-commercial risks, it is noted that say 40 houses could be built on the area occupied by a drive-in shopping centre. A fire in any of the 40 houses requires no greater fire service response than any one house, whereas a fire in the drive-in shopping centre may require a response by as many as 5 or 10 fire crews together with some specialised appliances.

The current categories and sub-categories for the classification of properties totals more than 160 and fall within 16 levels. Levies are progressive ranging from $11.80 for the lowest classification to $159,965 for the highest (Appendix H).

Brisbane residential properties are currently charged $84.20 per annum. The initial charge in 1984 was $48 but was subject to a 50% increase in 1987 to $72.

No data is available to measure the impact on property owners of the change of systems.

VICTORIA

Although, like New South Wales, Victoria has two fire fighting organisations but there are large differences in their areas of operation. The Metropolitan Fire Brigade Board (MFBB) controls the full-time urban firefighting force which protects most of the greater Melbourne area while the rest of the State is under the control and management of the Country Fire Authority (CFA). This Authority is regionalised and has both urban and rural brigades and has both full-time staff and volunteers.

At the present time the formula for contributions to the MFBB is State Government 12.5%, insurance companies 77.5%, Local Government 12.5%, while the CFA proportions are State Government 22.5% and insurance companies 77.5%.

In 1981 a Working Party on Fire Brigade Funding by majority recommended that fire brigades be wholly funded by the Government from general revenues. Finance was to be obtained namely from increased taxes and by a reallocation of priorities. The recommendation was not acted upon.

Later in 1983 a Public Service Board of Victoria Report proposed changed funding for the fire services. The report recommended:

(a) that costs be borne on a user-pay full recovery basis for non-fire suppression activities, ie. fire protection, equipment maintenance, building inspection and other routine services; and

(b) that the potential beneficiaries of the fire suppression activities fund the services with costs shared, property owners 60%, vehicle owners 20%, State Government 20%.

Under the proposal the insurance industry and metropolitan councils would cease to contribute.

Following the Public Service Board 1983 Report, a further Working Party was set up to review the Board's recommendations and in 1985 the Working Party reported that the current system be abolished and be replaced by one where the private property owners and the Government contribute.

The report also recommended that the Local Government act as agent for the collection of contributions alongside council rate collections.

The Working Party recommended a 3-rates system chargeable on properties on the basis of Net Annual Values:

- a rate applicable throughout the metropolitan fire district;
- a base rate applicable throughout the country area of Victoria; and
- a differential rate, in addition to the base rate, on properties in areas normally served by Class A or A1 brigades (ie. with paid officers).

This proposed system had some difficulties of distinguishing between residential and commercial properties as the value of stock and equipment may bear no correlation to the value of the land and buildings.

To ensure that the share of contributions payable by the commercial and industrial sector would not be unrealistically low, it was proposed to levy either a surcharge on developed commercial/industrial properties or of continuation of a contribution from insurance companies for relevant policies.

Also proposed was the introduction of a minimum levy for under developed or lower value properties.

There appeared to be some advantages with these proposals namely:

- The charge would be non-evadable and would break the connection between a person's decision on insurance and their financial contribution to fire services.
- The suggested three level system of charges would recognise the value of volunteer efforts by applying a reduced charge to people serviced under normal circumstances by fully volunteer fire services.
- Householders with modest to reasonable levels of insurance cover should pay less than the contributions currently paid.
- By using a measure of property value to calculate the levy payable, the system takes into account the person's capacity to pay.
- The use of councils who already maintained relevant records of property and operate a property based billing and collection system.

The recommendations did not come to fruition because of the lack of general community support for change and of objections from a number of councils to the proposed billing collection scheme.

It was considered that such proposals would require considerable effort to administer applying a range of charge rates and using all councils as collection agents, particularly as not all councils utilise computer data bases for their rates collection systems.

The Police, Emergency Services and Corrections Directorate, Department of Justice, is currently considering a further review of the funding arrangements, although discussions with executives from both fire services in Victoria would indicate that they see no need to make savage changes to the current system of collection of levies.

APPENDIX G

OTHER OPTIONS

Option 4: Develop a levy based upon an improved Capital Value Basis System

A system using an improved capital value as a basis for all properties would provide a most suitable one for the fire service levy. In fact, this system would be as close to the ideal system as one could get as contributions would be made by all property owners based upon the expectation of asset protection coupled with an ability to pay. However, this system makes no recognition of the contents of buildings.

The introduction of an ICV system would involve significant changes to the State's current valuation system, would take a significant period to establish and the initial and maintenance cost of preparing the required data base would be prohibitive

Option 5: Develop a "flat" rate levy for residential property holdings while maintaining the current insurance based system for commercial/industrial holdings

This system, although a variation of Option 3, attempts to broaden the contribution base. The theory is that it will involve the whole residential sector by a levy and through the insurance industry obtain levies from the commercial/industrial sector as is now the case.

Many of the existing inequities would still continue under this system.

It is not a preferred option.

Option 6: **Develop a "flat" rate levy for residential property holdings and a basic levy for commercial/industrial holdings together with a levy based upon the insured value of stock, plant, etc**

This system is yet another variation of Options 3 and 5.

It is considered that this system would be difficult to administer and is not preferred.

Option 7 **Provision of funds from increased electricity charges**

A preliminary review of a revised funding system by Coopers and Lybrand in 1991 indicated there appeared to be some attraction of using electricity supply authorities as collecting agencies for funding the fire services. Funds would be provided by a percentage increase in the cost of electricity consumers. The report commented that there were "fundamental conceptual difficulties involved in this approach".

I agree with this statement. I also believe the option to be impractical as it would be seen to be a form of cross subsidisation, and is not compatible with the Government's broad policies on pricing and micro-economic reform.

Such a system would contain many inequities particularly as fire risk has little or not relationship to electricity consumption.

Although several submissions suggest this option as an alternative to the present system because of the above comments, I do not consider this option to be a feasible one.

Option 8: Provision of funds from increased water charges

Funds to be provided by a percentage increase in the cost of water supplied.

Because this option is similar to the "Electricity Option" and for the comments made under that heading, I do not consider this option to be feasible.

Option 9: Develop a levy based upon an unimproved capital value basis

Payment of a flat levy based on the UCV of all properties. Such a system does not take into account the use or value of properties nor contents and if land is vacant or developed.

Because of inequities existing in the current system by the partial use of UCV for the collection of levies, particularly in the Sydney Fire District, the option is not considered viable.

Option 10: Compulsory fire levy

Using the present "Insurance Based" system but requiring proof of insurance or the payment of a property based levy in lieu.

Such a system would reduce the incident of levy evasion/avoidance but would require new systems, valuation of properties, ongoing controls and continual updating of data. Furthermore, the insurance industry would be the only area capable of undertaking the collection of levies.

This option is not feasible as the insurance industry would be opposed to it as an alternative and there would also be major political and social implications.

Option 11: Complete funding by Government from the Consolidated Fund

This option would require the Government to provide funds additional to those currently provided of more than $200M. Furthermore, stamp duty revenue of about $15M would be lost.

Because the fire services have, in the past, been mainly financed by the community and coupled with the economic constraints on government, there is no way possible for total funding being provided from the Consolidated Fund.

The NSW Treasury has advised that if there are any changes that are not revenue neutral then they would be opposed to such changes.

Option 12: Privatisation of the Fire Service

Having regard to the very nature of the Service's involvement within the community this option was not given any detailed consideration.

Fire Service Act 1990

ORDER IN COUNCIL

At the Executive Building, Brisbane, the fourteenth day of May, 1992

Present:

His Excellency the Governor in Council

His Excellency the Governor, acting by and with the advice of the Executive Council, and in pursuance of the *Fire Service Act 1990*, hereby—

(a) prescribes the amounts of the contributions to be paid by owners of prescribed properties in respect of the financial year 1 July 1992 to 30 June 1993 as those set out in Schedule 1;

(b) declares, for the purposes of ascertaining the amount of the prescribed contributions, that a property is categorised according to—

(i) the use to which the property is, or may be, put having regard to the Fire Levy Groups in Schedule 1; and

(ii) the class of the urban district, specified in Schedule 2, in which the property is located;

(c) declares, if a property is being put to more than one use, that the amount of the contribution is the higher or highest amount prescribed in respect of those uses;

(d) declares that in this Order in Council, unless the contrary intention appears—

"community protection centre" includes ambulance centre, fire station, State Emergency Service headquarters, Air Sea Rescue station and Coast Guard centre;

"licensed", in relation to uses other than an oil or fuel depot, means licensed under the *Liquor Act 1912* to sell liquor;

"outdoor storage area" includes an area used as a builder's or contractor's yard, a garden materials storage centre, a fenced area for the parking or storage (other than for retail sale) of heavy equipment, materials, motor vehicles and boats;

"students" includes full-time and part-time students (other than external students);

"tavern" means premises in respect of which a tavern licence (within the meaning of the *Liquor Act 1912*) is in force.

And the Honourable the Minister for Police and Emergency Services is to give the necessary directions herein accordingly.

E. J. BIGBY, Clerk of the Council

Schedule 1

CHARGES EFFECTIVE 1993-1994

Categories of Properties	Class A	Class B	Class C	Class D
	$	$	$	$
Fire Levy Group 1—				
Advertising Hoarding				
Farming and Grazing (without buildings or other structures except fencing)				
Parks and Gardens (without buildings or other structures except fencing)				
Vacant Land				
Jetty	23.80 ~~23.60~~	18.40 ~~18.20~~	14.20 ~~14.00~~	11.80
Fire Levy Group 2—				
Carpark 1 Level				
Cemetery				
Club—Non-business, Sports Field				
Farming and Grazing (with buildings or other structures including farmhouse)				
Industry—Light, Service, Offensive—Gross Floor Area less than 51m²				
Multi-Unit Residence (less than 3 units/flats—not held under group title or strata title)				
Offices/Shops/Commercial Recreation Premises less than 3 Levels—Gross Floor Area less than 51 m²				
Outbuilding				
Parks and Gardens (with buildings/other structures)				
Plant Nursery				
Residential Units—Building Unit/Group Title (per unit)				
Single Unit Residence				
Stratum suspended or underground walkway				
Transformer, Sub-Station, Television or Radio Transmission Tower	85.40 ~~84.20~~	67.80 ~~66.80~~	50.20 ~~49.60~~	42.60. ~~42.00~~
Mini Storage Units—Building Unit/Group Title (Per Unit) Gross Floor Area to 85m²				
Fire Levy Group 3—				
Caravan Park less than 51 Van Sites				
Carpark 2 Levels				
Child Care facility or Kindergarten				
Church, Church Hall, Community Hall				
Club—Licensed or Sporting (run as business) less than 3 Levels				
Community Protection Centre				
Construction Site (Commercial/Industrial)				
Forestry and Logs less than 10 hectares (growing or harvesting timber)				
Funeral Parlour				
Guest House, Hostel, less than 3 Levels				
Industry—Light, Service, Offensive—Gross Floor Area 51-500 m²				
Library, Museum, Art Gallery, Zoo				
Marina (Non-Residential)				
Multi-Unit Residence (more than 2 units—not held under group title or strata title) less than 3 levels				

Schedule 1—continued

Categories of Properties	Class A	Class B	Class C	Class D
	$	$	$	$
Offices/Shops/Commercial Recreation Premises less than 3 Levels—Gross Floor Area 51-250 m²				
Outdoor Storage Area less than 2 025 m²				
Restaurant—Not licensed (including Floating Restaurant)				
Sales Area—Outdoor less than 2 025 m²	199.40 ~~196.60~~	158.80 ~~156.60~~	119.20 ~~117.60~~	99.60 ~~98.20~~
Service Station				
Mini Storage Units—Building Unit/Group Title (Per Unit) Gross Floor Area > 85m² (should be > 85)				
Fire Levy Group 4—				
Carpark 3-4 Levels				
Caravan Park 51-100 van sites				
Day (Non-Boarding) School less than 101 Pupils				
Drive-In Theatre				
Drive-In Shopping Centre less than 4 050 m²				
Guest House, Hostel 3-4 Levels				
Hotel/Motel less than 3 Levels				
Industry—Light, Service, Offensive—Gross Floor Area 501-1 125 m²				
Multi-Unit Residence (More than 2 Units—not held under group title or strata title) 3-4 Levels				
Offices/Shops/Commercial Recreation Premises less than 3 Levels—Gross Floor Area 251-500 m²				
Outdoor Storage Area 2 025-4 050 m²				
Restaurant—Licensed (including Floating Restaurant)				
Sales Area—Outdoor 2 025-4 050 m²	399.20	319.20	238.80	199.40
Tourist Attraction less than 4 050 m²	~~393.20~~	~~314.40~~	~~235.40~~	~~196.60~~
Theatre, Cinema—Single				
Fire Levy Group 5—				
Airfield				
Caravan Park greater than 100 Van Sites				
Day (Non-Boarding) School 101-500 Pupils				
Drive-In Shopping Centre 4 050-7 500 m²				
Forestry and L[illegible] 10-40 Hectares (growing or harvesting timber)				
Industry—[illegible] less than 10 001 m²				
Industry—[illegible]vice, Offensive—Gross Floor Area 1 126-2 000 m²				
Offices/Sh[illegible]mercial Recreation Premises less than 3 Levels—Gros[illegible] Area 501-1 012 m²				
Offices/Sh[illegible]mercial Recreation Premises 3-4 Levels—Gross Floor Area [illegible] 601 m²				
Oil, Fue[illegible] including Refinery) Licensed Capacity less than 1 0[illegible]res	656.20	523.60	392.60	327.40
Showg[illegible]ecourses (other than R.N.A./Brisbane)	~~646.40~~	~~516.00~~	~~386.80~~	~~322.60~~
Tourist Att[illegible]tion 4 050-10 000 m²				
Fire Levy Group 6—				
Boarding School less than 101 Boarders				
Carpark greater than 4 Levels				
Club—Licensed or Sporting (run as business) 3-4 Levels				
Day (Non-Boarding) School greater than 500 Pupils				
Drive-In Shopping Centre 7 501-10 000 m²				
Hotel/Motel 3 Levels				
Guest House, Hostel 5-6 Levels				
Industry—Light, Service, Offensive—Gross Floor Area 2 001-3 000 m²				
Multi-Unit Residence (More than 2 Units—not held under group title or strata title) 5-6 Levels				
Offices/Shops/Commercial Recreation Premises less than 3 Levels—Gross Floor Area 1 013-3 500 m²				
Offices/Shops/Commercial Recreation Premises 3-4 Levels—Gross Floor Area 601-1 012 m²				
Outdoor Storage Area greater than 4 050 m²				
Sales Area—Outdoor greater than 4 050 m²				
Tertiary Residential College	1176.60	941.20	704.60	587.80
Theatre, Cinema Complex	~~1 159.40~~	~~927.20~~	~~694.20~~	~~579.20~~
Welfare Institution, Nursing/Retirement Home—(predominantly non-medical care) less than 51 Beds				
Fire Levy Group 7—				
Forestry and Logs greater than 40 Hectares (growing or harvesting timber)				
Guest House, Hostel greater than 6 Levels				
Hospital less than 51 Beds				
Industry—Light, Service, Offensive—Gross Floor Area 3 001-4 000 m²				
Multi-Unit Residence (More than 2 Units—not held under group title or strata title) greater than 6 Levels				
Offices/Shops/Commercial Recreation Premises less than 3 Levels—Gross Floor Area 3 501-5 500 m²				
Offices/Shops/Commercial Recreation Premises 3-4 Levels—Gross Floor Area 1 013-3 500 m²	1920.60	1535.20	1151	959.60
Tavern	~~1 892.40~~	~~1 512.60~~	~~1 135.00~~	~~945.60~~
Fire Levy Group 8—				
Drive-In Shopping Centre 10 001-15 000 m²				
Hotel/Motel 4 Levels				

Schedule 1—continued

Categories of Properties	Class A	Class B	Class C	Class D
	$	$	$	$
Industry—Extractive 10 001-20 000 m²				
Industry—Light, Service, Offensive—Gross Floor Area 4 001-5 500 m²				
Offices/Shops/Commercial Recreation Premises less than 3 Levels—Gross Floor Area greater than 5 500 m²				
Offices/Shops/Commercial Recreation Premises 3-4 Levels—Gross Floor Area 3 501-5 500 m²				
Oil, Fuel Depot (including Refinery) Licensed Capacity 1 000 000—25 000 000 Litres				
Tourist Attraction greater than 10 000 m²				
Tertiary Education Institution less than 101 Students				
Welfare Institution, Nursing Home/Retirement Home—(predominantly non-medical care) 51-100 Beds	2937.40 ~~2 694.00~~	2311.20 ~~2 227.00~~	1761.20 ~~1 735.00~~	1468.20 ~~1 446.40~~
Fire Levy Group 9—				
Boarding School greater than 100 Boarders				
Club—Licensed or Sporting (run as business) greater than 4 Levels				
Drive-In Shopping Centre 15 001-20 000 m²				
Hospital 51-100 Beds				
Hotel/Motel 5-6 Levels				
Industry—Heavy—Gross Floor Area less than 3 001 m²				
Industry—Light, Service, Offensive—Gross Floor Area 5 501-7 500 m²				
Offices/Shops/Commercial Recreation Premises 3-4 Levels—Gross Floor				
Offices/Shops/Commercial Recreation Premises 5-6 Levels				
Showground—R.N.A., Racecourse—Brisbane				
Tertiary Education Institution 101-200 Students				
Welfare Institution, Nursing/Retirement Home—(predominantly non-medical care) 101-200 Beds	5212.20 ~~5 135.00~~	4168.60 ~~4 107.00~~	3126.20 ~~3 080.00~~	2605.40 ~~2 567.00~~
Fire Levy Group 10—				
Drive-In Shopping Centre 20 001-30 000 m²				
Industry—Extractive greater than 20 000 m²				
Industry—Heavy—Gross Floor Area 3 001-7 500 m²				
Industry—Light, Service, Offensive—Gross Floor Area greater than 7 500 m²				
Offices/Shops/Commercial Recreation Premises 7-10 Levels				
Hospital 101-200 Beds				
Welfare Institution, Nursing/Retirement Home—(predominantly non-medical care) 201-500 Beds	10701.20 ~~10 543.00~~	8560.40 ~~8 434.00~~	6418.80 ~~6 324.00~~	5350.20 ~~5 271.00~~
Fire Levy Group 11—				
Drive-In Shopping Centre 30 001-40 000 m²				
Hotel/Motel 7-10 Levels				
Industry—Heavy—Gross Floor Area 7 501-15 000 m²				
Offices/Shops/Commercial Recreation Premises 11-20 Levels				
Oil, Fuel Depot (including Refinery) Licensed Capacity 25 000 001—50 000 000 Litres				
Hospital 201-500 Beds				
Welfare Institution, Nursing/Retirement Home—(predominantly non-medical care) greater than 500 Beds				
Tertiary Education Institution 201-500 Students	18115.60 ~~17 848.00~~	14492.40 ~~14 278.00~~	10869.60 ~~10 709.00~~	9056.80 ~~8 923.00~~
Fire Levy Group 12—				
Brewery				
Bulk Sugar Terminal				
Distillery				
Drive-In Shopping Centre 40 001-60 000 m²				
Industry—Heavy—Gross Floor Area greater than 15 000 m²				
Integrated Resort Complex (including Accommodation/Recreation/Other Facilities)—Gross Floor Area less than 18 000 m²				
Hospital greater than 500 Beds				
Hotel/Motel 11-16 Levels				
Offices/Shops/Commercial Recreation Premises 21-29 Levels				
Oil, Fuel Depot (including Refinery) Licensed Capacity 50 000 001—100 000 000 Litres				
Sugar Mill (including Sugar Factory or Refinery)	33489.80 ~~32 995.00~~	26790.80 ~~26 395.00~~	20093.80 ~~19 797.00~~	16744.40 ~~16 497.00~~
Fire Levy Group 13—				
Bulk Coal Terminal				
Drive-In Shopping Centre greater than 60 000 m²				
Integrated Resort Complex (including Accommodation/Recreation/Other Facilities)—Gross Floor Area 18 000-35 000 m²				
Hotel/Motel 17-25 Levels				
Offices/Shops/Commercial Recreation Premises 30-40 Levels				
Power Station				
Oil, Fuel Depot (including Refinery) Licensed Capacity 100 000 001—150 000 000 Litres				
Tertiary Education Institution 501-1 000 Students	~~[illegible]~~ ~~37 823.00~~ 38390.20	~~30 258.00~~ 30711.80	~~22 693.00~~ 23033.40	~~18 911.00~~ 19194.60
Fire Levy Group 14—				
Casino (including Accommodation/Entertainment/Restaurant Facilities) less than 21 Levels				
Integrated Office/Shops/Commercial/Recreation/Transport Complex having greater than 5 Levels, underground parking facilities for more than 1 000 vehicles and underground Bus Interchange				

Schedule 1—continued

Categories of Properties	Class A	Class B	Class C	Class D
	$	$	$	$
Integrated Resort Complex (Accommodation/Recreation/Other Facilities)—Gross Floor Area greater than 35 000 m²				
Metal Refinery/Smelter				
Oil, Fuel Depot (including Refinery) Licensed Capacity 150 000 001—200 000 000 Litres				
Offices/Shops/Commercial Recreation Premises greater than 40 Levels	57587.20 ~~56 736.00~~	46069.80 ~~45 389.00~~	34551.60 ~~34 041.00~~	28793.40 ~~28 367.00~~
Hotel/Motel greater than 25 Levels				
Fire Levy Group 15—				
Tertiary Education Institution greater than 1 000 Students	95977.20 ~~94 559.00~~	76781.60 ~~75 647.00~~	57586.20 ~~56 735.00~~	47988.00 ~~47 279.00~~
Oil, Fuel Depot (including Refinery) Licensed Capacity 200 000 001—250 000 000 Litres				
Fire Levy Group 16—				
Casino (including Accommodation/Entertainment/Restaurant Facilities) greater than 20 Levels	159.965 ~~157 601.00~~	127971.20 ~~126 080.00~~	95977.20 ~~94 559.00~~	79982.40 ~~78 800.00~~
Oil, Fuel Depot (including Refinery) Licensed Capacity greater than 250 000 000 Litres				

Notes to the Schedule

Unless otherwise stated, area in square metres refers to land area. In the case of a Drive-In Shopping Centre, the land area refers to the site coverage of the buildings, roadways, parking facilities and landscaping areas only. In all other cases, the land area refers to that portion of the land used for the purpose specified in the category of property.

Schedule 2

URBAN DISTRICT	FIRE LEVY CLASS	URBAN DISTRICT	FIRE LEVY CLASS
ALLORA	D	KAWANA	C
ARAMAC	D	KENILWORTH	D
ARANA HILLS	A	KILCOY	D
ATHERTON	C	KILKIVAN	D
AUGATHELLA	D	KILLARNEY	D
AYR	8 C	KINGAROY	C
BABIN[illegible]	C	KUMBIA	D
BARA[illegible]	D	KURANDA	D
BARCA[illegible]	D	KURRIMINE BEACH	D
BEAUD[illegible]	D	LAIDLEY	D
BEENL[illegible]	A	LONGREACH	D
BEER[illegible]	D	LOWOOD	D
BIGG[illegible]	D	MACKAY	A
BILOE[illegible]	D	MAGNETIC ISLAND	D
BLACKALL	D	MALANDA	D
BLACKWATER	C	MALENY	D
BOONAH	D	MARBURG	D
BOULIA	D	MAREEBA	C
BOWEN	C	MAROOCHYDORE	B
BOYNE / TANNUM	C	MARYBOROUGH	A
BRIBIE ISLAND	C	MEANDARRA	D
BUNDABERG	A	METROPOLITAN	A
CABOOLTURE	B	MIDDLEMOUNT	D
CAIRNS	A	MILES	D
CALLIOPE	D	MILLA MILLA	D
CALOUNDRA	A	MILLMERRAN	D
CARDWELL	D C	MIRIAM VALE	D
CECIL PLAINS	D	MISSION BEACH	D
CHARLEVILLE	C	MITCHELL	D
CHARTERS TOWERS	C	MONTO	D
CHINCHILLA	D	MOOLOOLAH	D
CLERMONT	D	MORANBAH	C
CLEVELAND	A	MORVEN	D
CLIFTON	D	MOSSMAN	C
CLONCURRY	D	MOUNT ISA	A
COLLINSVILLE	D	MOUNT MORGAN	C
COOCHIE MUDLO ISLAND	D	MUNDUBBERA	D
COOKTOWN	D	MURGON	C
COOLUM	D	NANANGO / YARRAMAN	D
COOROY	D	NOOSA HEADS	B
COORAN	D	NORTH STRADBROKE ISLAND	D
CROWS NEST	D	OAKEY	D
CUNNAMULLA	D	PETRIE	A
DALBY	D	PITTSWORTH	D
DAYBORO	D	POMONA	D
DECEPTION BAY	C	PORT DOUGLAS	C
DIMBULAH	D	PROSERPINE	C
DYSART	D	QUILPIE	D
EATONS HILL	A	RAINBOW BEACH	D
EL ARISH	D	RAVENSHOE	D
EMERALD	D	REDCLIFFE	A
EMU PARK	C	RICHMOND	D
ESK	D	ROCKHAMPTON	A

3 or 4 councils have been wrongly classified

Home hill
- Cardwell