

REPORT OF PROCEEDINGS BEFORE

PUBLIC ACCOUNTS COMMITTEE

REVIEW OF FIRE SERVICES FUNDING

At Sydney on Wednesday 26 November 2003

The Committee met at 9.30 a.m.

PRESENT

Mr M. J. Brown (Chair)

Ms G. Berejklian
Mr P. E. McLeay
Mr G. R. Torbay
Mr. J. H. Turner
Mr S. J. R. Whan

CHAIR: I declare the hearing opening and draw the public's attention to the Committee's terms of reference, which are available in the room. I also draw the public's attention to Legislative Assembly standing orders 332, 333 and 334 in relation to the procedure for the examination of witnesses by the Committee. These standing orders are also available in the room. I recognise in the public gallery delegation led by Mr Kevin Southgate of the Public Accounts Committee from the Western Cape province, South Africa. I welcome you to this public hearing.

PHILLIP CHRISTIAN KOPERBERG, Commissioner, New South Wales Rural Fire Service, James Ruse Drive, Rosehill, and

GREGORY PHILIP MULLINS, Commissioner, New South Wales Fire Brigades, Level 10, 227 Elizabeth Street, Sydney, sworn and examined:

CHAIR: In what capacity are you appearing before the Committee today?

Mr KOPERBERG: I am appearing in the capacity of Commissioner of the Rural Fire Service.

Mr MULLINS: I am appearing in the capacity of Commissioner of the New South Wales Fire Brigades.

CHAIR: We have received submissions from you. Is it your wish that those statements be included as part of your sworn evidence?

Mr KOPERBERG: That is my wish, Mr Chairman.

Mr MULLINS: Yes.

CHAIR: Would you care to make an opening statement?

Mr MULLINS: Yes. Thank you for the opportunity to appear today. The New South Wales Fire Brigades is the public sector agency responsible for managing fire emergencies in the major cities, metropolitan areas and large towns across New South Wales 24 hours a day 7 days a week. We also protect the entire State from chemical spills. We are the largest provider of rescue services in New South Wales. More recently the New South Wales Fire Brigades has assumed the primary responsibility for managing the consequences of terrorist attacks, in particular, chemical, biological and radiological attacks, and rescuing people from collapsed buildings following explosions. We have the organisational capability and resilience to support other government agencies during and after bushfires, storms, floods, landslides and other emergency situations.

We have a network of 338 fire stations across the State, a fleet of 882 emergency vehicles, 6,463 firefighters, 3,575 community fire unit volunteers and 331 administrative and trades staff. During 2002-03 we responded to more than 128,000 emergency calls. Our net cost of services was \$350.5 million, which equates to \$52.79 per person in New South Wales or just 14.4¢ per person per day. I think that this demonstrates good value for money. For example, by comparison the annual cost of an NRMA basic care membership that entitles the user to four on-call roadside assist services, including towing for less than eight kilometres, is \$111.50 per year, including a \$44 joining fee. That service does not guarantee fast response times or manage risk to life and property and access to the service is limited to four times per year. In comparison the two fire services together cost \$80.30 per person in New South Wales in 2002-03 for unlimited fast and far more dangerous service delivery.

We would counsel caution in accepting unquestioningly the view that fire service contributions can be collected more equitably. An alternative view is that local government and insurers should, in fact, contribute to the funding of fire services because they receive considerable benefits from them. Insurers and local government are important stakeholders in emergency risk management, both in providing services and benefits and in receiving benefits. Their contributions could be seen as a business expense for services purchased from the New South Wales Government, as well as a community service responsibility. Both local government and insurers have clear responsibilities and vested interests in managing risks for community safety.

That suggests that they should also perhaps continue to be responsible for contributing financially to the fire services. A simple equation is that premiums minus the payouts equals the profits. Fire services minimise the payouts by insurance companies, so maximise the profits to the insurance industry. The New South Wales Fire Brigades questions the argument that the current New South Wales Fire Services' funding model is substantially inequitable. The New South Wales model is similar to the Victorian system for funding fire services. A recent review in Victoria concluded:

The current system is reasonably equitable and efficient because contributions for those insured—in other words, the fire service levy payers—are broadly linked to benefits and encourage fire risk management.

Moving away from the current funding model to a property-based model may in itself prove to be inequitable. It is likely that many of those segments of the community that are uninsured or under-insured are also the most disadvantaged people who may suffer great hardship in paying a new tax. There are indications that higher levels of underinsurance occur among older Australians and low income earners. Under the new property tax proposed by some, these individuals, the least able to pay, may have to pay more. The current system is cost efficient with low costs and no bad debts. Despite New South Wales having a population of almost 6.7 million, or 34 per cent of the total Australian population, the New South Wales Fire Brigades component of the fire service levy is currently collected at a cost of only \$250,000 per annum.

Applying the Western Australian model to New South Wales on the basis of the number of households alone would result in a fire service levy collection fee paid to councils of at least \$13.55 million. If we use the 4 per cent collection fee that Western Australia uses, that could be up to \$30 million. That money would be lost to the fire services, provide no community benefit and, in effect, be passed on as a new tax to the New South Wales community. We suggest that this may be very difficult to justify and market to the community. In addition, it is unlikely that councils would forego the \$70 million in fire service levy that they currently collect via rates each year, resulting in up to \$20 million in additional stamp duty also.

Therefore, more than \$100 million would potentially be added to the current tax burden on families in New South Wales with no benefits or improvements to the fire services as a result. Finally, the claim that up to 25 per cent of households are not insured also needs to be challenged and rigorously researched if it is seen as a reason for change. The Victorian review estimated non-insurance for households at only 6 per cent, and taking into account leased or rented properties, buildings and contents, the non-insurance rate was estimated at only 10 to 11 per cent. Clearly that area needs closer scrutiny. We are concerned that whatever system is in place it must be cost effective and cost efficient and provide adequate funds for essential life, fire and emergency services in the most populous and disaster-prone State in Australia. The current system meets this criteria, while alternative models may not necessarily deliver what the people of New South Wales need and deserve.

CHAIR: Commissioner Koperberg, do you wish to make an opening statement?

Mr KOPERBERG: Yes. The New South Wales Rural Fire Service is principally a volunteer-based fire fighting and prevention organisation comprising some 65,000 volunteers spread across 120 local government districts combined into 2,100 brigades and is responsible for bushfire prevention and suppression over approximately 90 per cent of New South Wales. It also has statutory responsibility for the co-ordination of all other services during emergent bushfires under the appropriate relevant provisions of the Rural Fires Act 1997 and has a statutory role to fight fires in national parks and State forests. In addition to its co-ordination role in terms of fire suppression, during declared emergencies it has acquired the regulatory role in terms of planning and development issues in bushfire-prone areas.

All local government councils in New South Wales are required by statute to map areas of their principalities, localities and so forth which are bushfire prone. Developments of any description inside those areas, irrespective of other jurisdictions, are to meet certain criteria on which the New South Wales Rural Fire Service [RFS] is to adjudicate. In addition, the New South Wales Rural Fire Service has a statutory obligation to monitor the way in which combustible fuels are managed throughout New South Wales on the part of all land management agencies and private land-holders. The RFS has been given legislative capacity to regulate to some degree that level of activity, or in fact undertake that activity in the event of failure of the land-holder, private or public, to meet their respective responsibilities for fuel management.

The last two functions of the RFS as a result of very recent amendments to the Rural Fires Act going back to August 2002. The Rural Fire Service is not at all averse to an overview of the manner in which fire services, particularly itself, are funded. The RFS commends the Committee for its in-depth examination of these affairs. We harbour concerns not dissimilar to those of the New South Wales Fire Brigades inasmuch as, whilst we recognise that there are some inequities, as there are in most areas of revenue disbursement or taxation collection, by and large the scheme serves the community and the emergency services reasonably well. That was supported by the former Auditor-General of New South Wales, Ken Robson, when in September 1994 he was commissioned by the then Government to conduct an in-depth review of the manner in which fire services were funded.

Mr Robson concluded in his report that there were some inequities, but by and large the scheme provided a relatively simple form of administering the funding of both fire services and, generally speaking, it was not as inequitable as has been claimed by a number of interested observers in the past. Mr Mullins has already spoken to the Committee about the suggestion of inequity raised by the suggestion that there were large quantities of property either uninsured or underinsured. The figures available from the Insurance Council of Australia suggest that about 8.5 per cent of properties are not insured, and Australia's biggest home insurer, NRMA—now the Australian Insurance Group—estimates that only 5 per cent of homes are not insured.

Having said that, there is a greater level of uninsured contents. I base that statement on the Insurance Council of Australia research, which estimates that perhaps as high as 25 per cent of contents are not insured. Irrespective of that, it will be seen that the level of uninsured is not nearly as high as originally thought. This was also evident in the very severe hailstorm of 1999, when so many of the eastern suburbs of Sydney were devastated by very damaging hail. The initial estimates of massive underinsurance or uninsured properties were not substantiated. In fact, it was found by the insurance industry that the vast majority of properties affected by that incident were insured, both from a buildings and a contents point of view.

There is an additional dimension for the Rural Fire Service in as much as local government is an integral part of the fire management system, as indeed it is of the emergency management system of New South Wales. The volunteers, on whom we rely, obviously come from one local government or another. They have a need to relate, for a variety of reasons, to a tier of government closest to them. The Rural Fires Act 1997 still recognises local government as the agency responsible for the formation and maintenance of rural fire brigades within their districts. There is little doubt that in recent years the onus of responsibility has changed considerably from local government to a more cohesive administration, that of the Rural Fire Service, in as much as salaried officers previously employed by local government are now employees of the State, to provide for a more cohesive and contemporary form of management.

Hitherto it was the case of having almost as many policies as there were participants in the management system. A good deal progress has been made in that regard. Nevertheless, local government is still the sponsor and originator of volunteer rural fire brigades throughout New South Wales. In support of that, the Government deemed it appropriate that all assets procured from whatever source and funded by whatever means are vested in local government. We estimate those assets to be worth in the order of \$1.2 billion for which local government has responsibility for maintenance and so forth. We recognise also that local government makes a major contribution to the funding of rural fire brigades over and above the 13.3 per cent which it is statutorily required to contribute.

Therefore, there is a situation in which we estimate that perhaps as much as \$20 million is added to the overall expenditure of rural fire management affairs indirectly by local government. This is a clear indication of the central role that local government plays, at that tier of government, in the motivation and maintenance of 65,000 people; who, incidentally, contribute what we estimate to be in the order of \$1.5 billion worth of labour to the emergency management effort in New South Wales. The suggestion by some that local government should be able to divest itself of the statutory contribution of 13.3 per cent, may well, in our opinion, lead to a number of things, not the least being a gradual process of disengagement by local government from the system altogether. Clearly that has the potential of adding an enormous burden on another contributory system if the \$20 million were to be left.

Of course, there are other complications, not the least of which is the maintenance of that \$1.2 billion worth of assets currently vested in local government. Under an alternate scheme, were local government to choose to divest itself of those responsibilities, those assets would become a responsibility of the State. That would add perhaps as much as another \$15 million to \$25 million to the cost of providing fire services, which is currently not the case. In essence, the RFS believes that whilst there is a need from time to time to review the way in which these organisations are funded, it recognises also that there are some inequities in the scheme. However, the RFS is of the firm belief that the manner in which fire services are currently funded is a reflection of both the capacity of those with the greatest potential loss to contribute to the reduction of that loss, and a system which is risk-based, rather than some arbitrary contribution being made by a range of householders, taxpayers, and so forth.

Of course, there is one final complication in this: our firefighters are not paid. Were there to be, for argument's sake, a property-based levy to fund fire services, the very people who volunteer their time would have to pay for the privilege of suppressing the very fires that they have joined an organisation to suppress. I suspect that undoubtedly there would be some considerable argument mounted that the 65,000 volunteer firefighters should be either the recipients of significantly discounted property-based levy charges or exempted from paying them altogether. So there are inequities. We believe that they can be fixed. We believe the current scheme is capable of being repaired, if there are any major damages, but we do not think they are sufficiently great to warrant changing the entire system.

CHAIR: Commissioner Koperberg, I am pleased you raised the issue of risk. However, the risk insurance premiums do not apply only to fire, they also apply to theft and other sorts of damage. Do you have any comments about that?

Mr KOPERBERG: We believe the base on which the insurance industry is levied is probably not broad enough. Commissioner Mullins will no doubt support the contention that a good deal of resource is committed on the part of both fire services to attendance at motor vehicle accidents whether or not fire is involved. We provide care and protection for people involved in those sorts of incidents. In our case, that figure is as high as 21 per cent, or in that order, of all our activities. Despite that, the capacity on the part of the fire services to levy a charge on premium income in relation to motor vehicles is only 1 per cent. It is a very narrow base from which to work. That is not reflected in the level of resource committed to servicing that particular community need. We also recognise that public liability insurance carried by a range of householders, landowners, public authorities and so on is not subject to any levy. However, most major emergencies that require a massive resource from emergency services occur on lands the owners or managers of which invariably carry public liability insurance. However, there is no mechanism for levying that particular stream of income.

CHAIR: A large number of your members volunteer on those big event days.

Mr KOPERBERG: They volunteer in very large numbers. The primary labour force for the 1999 hailstorm was Rural Fire Service [RFS] volunteers and, in turn, they were supported by State Emergency Service [SES] volunteers and the New South Wales Fire Brigades. If honourable members were to look at the total commitment of labour across that particular major emergency they would see that the vast majority were volunteers.

CHAIR: Commissioner Mullins, what are your comments with regard to a higher levy on motor vehicles and who should collect it?

Mr MULLINS: Our submission raised that issue. We said that about 5.7 per cent of our overall workload is related to motor vehicles. We have carried out further research since the submission was written and have found that it is closer to 8 per cent. Our suggestion initially was a flat dollar amount placed on registrations. Perhaps it could be through compulsory third party [CTP] green slips. I support what Commissioner Koperberg says in that there seem to be opportunities to broaden the base by moving in that direction.

CHAIR: In your experience should there be a higher rate for larger vehicles that carry more hazardous materials?

Mr MULLINS: That is what we are suggesting. Our experience is that the more protracted incidents that consume more resources are those involving heavy transport, particularly vehicles carrying hazardous materials.

Mr JOHN TURNER: On the one hand in the property area you suggest you keep the existing arrangement, yet you are talking about a universal levy on the motor vehicles. How do you reconcile those arguments?

Mr MULLINS: The local government levy is not universal; it is based on the value of the property.

Mr JOHN TURNER: We are discussing perhaps going in that direction.

Mr MULLINS: That is not a risk-based approach. As Commissioner Koperberg said, one of the strengths of the current system is that it relates to risk in that the value of the property is insured and the value of the rating base for the local government relates to how much is collected. We are suggesting a similar thing for the very reasons Mr Brown alluded to. The losses in terms of transport incidents will be greater for heavy transport. We are suggesting a similar system; that is, charging them more than would be charged for a family passenger vehicle.

Mr JOHN TURNER: I am not talking about the charges you would apply. I am talking about the universality of a standard charge on all motor vehicles, regardless of whether it is weighted for trucks or otherwise. You are saying that about 8 per cent of your work relates to motor vehicles and Commissioner Koperberg said his is 20 per cent.

Mr KOPERBERG: It is about 20 per cent. I need to correct a figure I quoted earlier; that is, the declaration of program income on certain categories for motor vehicles, which is 2.5 per cent not 1 per cent. Both the New South Wales Fire Brigades and the RFS have a high percentage of attendances at these incidents as a proportion of their total activity. The fact remains that the industry is required to declare only 2.5 per cent of premium income in those categories. Were it commensurate with content or building insurance there would be a far wider base reflecting the level of emergency response than is currently the case. Of course, that could be done in a number of ways. There could be a flat amount, perhaps determined by vehicle type and category and so on, or the industry might be required to declare a higher percentage of premium income in those categories and be levied according to the statute in its overall contribution for those sorts of incomes.

Mr JOHN TURNER: That still does not answer question why you are advocating universality with regard to motor vehicles, but in the case of property collecting only from those who have insured, not from all property holders.

Mr KOPERBERG: The lack of insurance is relatively small—

Mr JOHN TURNER: Including vacant land.

Mr KOPERBERG: No real monetary value is attached to vacant blocks of land in terms of fire.

Mr JOHN TURNER: If you are called out you have to work on that sort of land.

Mr KOPERBERG: The estates of national parks and forests are extensive as are private holdings. Nevertheless, the argument about inequity in property-based insurance is not as substantial as it was thought to be. That is borne out by figures provided by both the insurance industry and a range of other surveys. We are not saying that it is okay to have universality in one category for motor vehicles and not in the other. We are saying there are ways of fixing the relatively small inequities as far as content insurance is concerned while at the same time broadening the income base by looking seriously at the level of resource that has to be committed by emergency services to deal with that sort of activity and ensuring a commensurate taxation system.

Mr JOHN TURNER: Surely you are looking at more than houses and buildings. You are looking at land or farms being burnt out and that sort of thing.

Mr KOPERBERG: Of course we are. For example, hail, crop damage and livestock require only 1 per cent declaration of premium income. Here again, these are things that can be readily rectified if the Government and the community believe that inequities are of such an order as to require fixing. Statutes provide that those people who insure offshore or do so through brokerages are required to declare that. There is no way of policing that at the moment because one simply does not know. It is the source of some income for those people who declare that their insurance is somewhere other than with an Australian company or not directly with an Australian company. That is easily fixed by statutory declaration, perhaps issued with rate notices, stating where one is insured and for how much in exactly the same way that the Commonwealth administers the health care levy. We are required annually to certify that we are privately or otherwise insured. If that is the case we are dealt with from a taxation point of view in an appropriate fashion. That could be easily introduced in this system.

Mr TORBAY: The non-insurance figure seems to me to be fairly central to this inquiry. Industry surveys have revealed that it is up to 25 per cent. You are now telling us that it could be as low as 6 per cent. The Victorian review found that it was something under 10 per cent. It seems to me that that is pretty central to what we are talking about, so we need an accurate figure. You are fairly confident that that figure is below 10 per cent, or 6 per cent, which is the figure that Mr Mullins quoted from another source. Community concern has been expressed about current funding arrangements. What feedback are you getting about that?

Mr MULLINS: I will comment on that by referring to the complaints that have been made to the New South Wales Fire Brigades. Last year I think we received a total of 35 complaints about anything. Most of those complaints related to siren noise—and great big trucks moving through the traffic and scaring people.

Mr KOPERBERG: I was one of the complainants.

Mr MULLINS: And I was driving. Very few, if any, complaints that were received from members of the public were about the fire service levy. We received one or two from organisations that were talking about the levy that insurance companies had placed on their premium notices. We had to refer them to the insurance companies. You are correct. I believe that the central argument in some quarters is that the inequity is due to underinsurance or non-insurance. New South Wales Fire Brigades is saying that we need to look at the Victorian inquiry that suggested the figures supplied by the insurance industry were not correct. We should look at the research conducted by the insurance industry to find out whether either of those figures are correct or whether the figure is somewhere in between. This is the basic premise on which many people are saying, "We need change."

Mr TORBAY: But they are miles apart.

Mr MULLINS: That is right. As Commissioner Koperberg said earlier, during the hailstorms our experience was more like the Victorian industry experience rather than what the insurance industry was saying. Most people are insured. I reiterate what I said earlier. The experience of the New South Wales Fire Brigades is that the people who are uninsured or underinsured are usually those who are most disadvantaged in the community—the unemployed, the elderly, et cetera—who would be the least able to pay a new tax. But leading on to talking about vacant land, et cetera, are there inequities? Possibly that is why the State Government and local government contribute to those services to cover community service obligations on types of land that do not have a value. Commissioner Koperberg talked also about offshore insurance.

We really have no way at present of knowing whether all companies that insure offshore or who do not insure are remitting the required moneys to the fire services in New South Wales. That could be a much larger issue than the elderly and disadvantaged who do not insure their homes. Deductibles, which are like an excess, are another issue. Many companies say to a huge industrial company, "You take the first \$100 million of risk and we will insure the rest." What happens to the self-insurance of that \$100 million? Nothing is remitted to the fire services for that. I would suggest

that we are talking about the small end of town. It is probably the big end of town where the money is not coming in.

Mr KOPERBERG: There is another dimension to this. It would be easy to suppose that, under an alternative funding scheme, all that would have to be raised would be the equivalent of what it is currently costing the contributory system, which is about \$520 million in round figures. A lot more would need to be raised because the cost of administering an alternative scheme would have to be factored into the amount of revenue that was raised. You have already heard from Commissioner Mullins that there is an estimate of about \$15 million for that. It is unlikely that the \$70 million contribution that is made by local government or councils at the moment will be reflected, if they no longer have to pay it, in a reduction in rates. So one assumes that people will still be paying the same rates but, on top of that, they will have to raise \$70 million just to deal with the local government component.

I would not be so cynical as to suggest that your insurance premium might drop in year one or year two to reflect those changed funding arrangements and that they would then go back to what they were. Far be it for me to suggest that, but it is not beyond possibility. You then have the loss of revenue for the Government in no longer having stamp duty receipts on that component of premium renewal that relates to the fire service levy because it simply will not attract them. We estimate that to be of the order of another \$20 million. So the best case scenario would be that you would be looking to have to raise perhaps as much as another \$100 million on top of what it is currently costing the consumer because of an inability for other fees and charges to be reduced to reflect the new funding system.

CHAIR: The Committee is concerned also about how premiums might alter once this levy goes from them. We hope that the ACCC and the APRA properly oversee such transitions. We are getting conflicting evidence about the cost of collection and why it would cost a council so much more to collect than an insurance company when most of them already have a property and rates-based database.

Mr KOPERBERG: I guess there is a cost involved in the processing of transactions for a start. The money needs to be dealt with in some way. It needs, ultimately, to be paid into another funding system, that is, of the Treasury. Rate forms and the associated infrastructure that handle the processing of that would need to be changed. It is a separate component of the rating system; therefore, one would expect that local government would want to provide some infrastructure for supporting that activity. On top of that, it is more likely than not, as has been the experience at least in Queensland, that local government would expect some recompense for becoming the tax agent for the State.

Now whether it means a capacity to invest the money in the short-term money market or whether it attracts a particular fee is irrelevant, but a cost is associated with it. If we talk about the source of unrest in this whole argument a lot of it stems from the fact that the insurance industry is not required to reveal the total income collected as a result of the declaration of fire service levies. Some insurance companies give that component a high profile on the renewal notice and some do not make a reference to it at all. There is no statutory obligation to do either. So no-one really knows how much revenue is collected under the guise of the fire service levies and how that is distributed.

Mr PAUL McLEAY: I refer to a point that you were talking about earlier. You referred to the value of underinsurance and to the difference between the experience of the Insurance Council of Australia and the Victorian experience. The Victorian experience reveals that whilst a lot of short-term renters might not have contents insurance they are usually in accommodation that is insured.

Mr MULLINS: Yes.

Mr PAUL McLEAY: So if you were renting a unit that had a value of \$100,000, the landlord would usually insure that unit for its full value. The contents might have a disposable value. If, for example, we were talking about a unit that was valued at \$100,000 and there were \$2,000 worth of contents, \$100,000 of that amount of \$102,000 would be insured. So the value of insurance is there. You might find it hard to answer this question: Is the value of the work you do more for structures and buildings or is it contents-based only? In other words, if you are going into a place that is 98 per cent

insured, and therefore attracts a premium, is 100 per cent of your work done on the part that is not insured?

Mr MULLINS: I could give you fairly accurate figures, I think, but not off the cuff. I have just had that matter clarified. The median dollar loss across the board in structure fires is about \$2,000 for contents, and that means that probably 77 per cent of structure fires we confine to the room of origin, which means that the structure itself is not lost, which in turn means a great saving. I do not know what an average house contents would be worth, but it is far more than \$2,000. We do intervene quickly, and the objective is to contain the fires to the room of origin. So our figures bear that out.

CHAIR: I am interested in how the Commonwealth Government contributes to funding New South Wales Fire Brigades, if at all. How does that funding tie in with airports and other Commonwealth land?

Mr MULLINS: We have an agreement with the Federal Government by which we identify each year our responses to Federal Government property, and on that basis there is a formula by which that Government remits funds to us, or basically buys those services from us. That includes places like Federal Government airports, defence establishments, Federal Government departments, et cetera.

Mr STEVE WHAN: Does the Federal Government remit on the basis of services you provide?

Mr MULLINS: May I check on that, because it has changed over the last couple of years and there has been a lot of negotiation. In years gone by it was a lump sum, but now I believe it is based on the number of responses and the services we provide. I have had that matter clarified. It is now based on the services we provide, so it is retrospective if you like. It is about \$2.5 million per year. In Western Australia, with the new levy over there, they do exactly the same: it is retrospective based on what services they provide.

Mr STEVE WHAN: Given that essentially the insurance-based levy is done on the basis of ensuring that you will attend when required, do you think it is fair to have some people who pay on the basis of services provided and some people who pay upfront?

Mr MULLINS: Personally, I do not think it is a perfect arrangement with the Federal Government, and at present we are discussing some issues with that Government. I certainly would want to have the continuity of funding that you require for basically two standing armies, whereby every four minutes of the day there is a red or orange truck going somewhere to an emergency but they are standing armies that need to be funded. I would not like to move to a similar system in terms of my responsibilities to the Government and the community where the funding is based on workload, particularly given that a lot of our focus these days is on preventing fires and emergencies from happening. It would not be a good thing to reward the fire services, if you like, for the more fires and emergencies they attend.

Mr PAUL McLEAY: In what other circumstances do you charge for attending fires or other emergencies to which you have been called?

Mr MULLINS: Under our Act we have the ability to charge people for attending hazardous materials spillages where there is no risk of fire. To give an example of that, if a petrol tanker rolled over and spilled petrol everywhere there is a clear risk of explosion and fire, so there is no charge for that. But if a tanker full of pesticides rolled over and spilled the pesticides everywhere, there is no risk of explosion or fire. Potentially we can recover our costs of response and the operations.

Mr PAUL McLEAY: What about false alarms?

Mr MULLINS: We charge the owners of premises who have automatic fire alarm systems for the third and subsequent false alarm in any six-month period. The intention of that is to encourage the building owners to service their systems and make sure they work properly, rather than revenue raising. It is an area in which we are trying to reduce the amount we collect by working with those people to make sure that the systems do what they are meant to do.

Mr PAUL McLEAY: Do you only charge commercial entities fees, or do you charge residential owners fees as well?

Mr MULLINS: Under the Building Code of Australia a block of flats, depending on the size, would be required to have a fire alarm system or sprinkler system, and they are charged the same as a commercial entity. We regularly receive requests to waive charges. We investigate each of those requests, and if they can show that they are making efforts to reduce the number of false alarms we are quite prepared to waive those charges.

CHAIR: Are you aware of ever attending an incident or false alarm at a large premises, for example, an oil refinery or private airport, and having strong suspicions that they are not insured, that they either self-insured or insured offshore?

Mr MULLINS: Yes, we do have suspicions. I could not tell you which ones, but there are many large industries across New South Wales, some of which we know either partially or fully insure offshore. Many of those industries remit amounts to the Fire Brigade, but some that we suspect either self-insure or insure offshore do not remit amounts to the Fire Brigade, but we cannot prove that.

CHAIR: Do you think the Committee should be investigating that area during this inquiry?

Mr MULLINS: As I said before, I believe that possibly there is more money being lost to the fire service levy collection system through deductibles, offshore insurance and self-insurance than through disadvantaged people in the community who have a low capacity to pay.

CHAIR: I am also of that view, and I do not know how to overcome that problem other than to move towards a property-based levy. Commissioner Koperberg suggested the idea that they sign a statutory declaration. How would you counter that argument?

Mr MULLINS: At present, the industries that insure offshore or self-insure are supposed to declare that under the Fire Brigades Act and the Rural Fires Act and remit amounts to the services. If we were able to come up with an audit system to ensure that all those industries comply, it may be a lot simpler than coming up with a new system with, I would say, the inevitable extra costs as alluded to by Commissioner Koperberg.

Ms GLADYS BEREJIKLIAN: Mr Mullins, can you explain the impetus for your suggestion about establishing a fire service trust fund and what that would entail?

Mr MULLINS: As the Victorian inquiry and the Robson review in 1994 found, there have been cases of overcollection and undercollection by insurance companies. I would not suggest that there is any profit-taking involved; I think there are difficulties in calculating from year to year how much they should collect and remit. However, the Victorian review found that it was a quite substantial amount. Differing from the situation where it is an actual tax and would all have to be remitted, only that portion we ask for is remitted and the rest is kept by the insurance company. It might even out over time, I am not sure. But for the sake of transparency we are suggesting that we say, "Here is the levy—it is so many per cent on your premiums—that is remitted in total to a trust fund and from that the fire service funding is taken." Over time that could provide a hedge to the insurance companies against inadvertent undercollections and it might perform the function, as has been suggested in some quarters, of an emergency fund. However, I would counsel caution with that, given the natural disaster funding from the Federal Government. We would have to say exactly what the fund could be used for so that it does not impact on those arrangements.

Mr JOHN TURNER: One of your submissions is to give consideration to making insurance compulsory. As you know, we have compulsory insurance for motor vehicles at the moment but a large number of people choose to break the law. Do you think penalties should be imposed on householders if compulsory insurance is adopted?

Mr MULLINS: It is probably a bit outside my area of expertise.

Mr JOHN TURNER: How would you enforce compulsory insurance?

Mr MULLINS: All I can say is that if we were considering going down that path it would need to be investigated. I am not in a position to say how or whether it should be done.

CHAIR: You discuss in your submission the issue of rebates and discounts to volunteers. Does the Rural Fire Service support such an option?

Mr KOPERBERG: We anticipate that if a property-based scheme were to be introduced a land-holder—a farmer, for argument's sake—who owned perhaps a number of properties across a number of local government boundaries would be in a position of having to pay multiple levies. That same person might be a captain, a deputy captain or a member of the rural fire brigade, which is already supported by the local community to suppress and prevent fire. It would not be unreasonable for membership to say, "Not only do we have to provide the suppression service voluntarily now we are being hit with a property-based levy for the privilege of doing so."

CHAIR: Are such members not hit already in that presumably that farmer would have his multitude of properties insured, would be paying the levy but is still giving up his time and working as the local captain?

Mr KOPERBERG: But it is not compulsory. For argument's sake, if one owned a property of 1,000 hectares, one had reasonable levels of fire protection available on that property and one was a member of the local rural fire brigade one might well come to the conclusion about the level of insurance that one wanted to pay—or whether to pay insurance at all—on the basis of managing that particular risk. So there is some level of freedom of choice. However, if a property-based levy were introduced that freedom of choice would not be available. But I have to concede that it is more a question of perception than reality.

CHAIR: Can you not foresee people joining the rural fire brigade in order to get a discount on their levy? You could be inundated with new members, who joined for the wrong reasons.

Mr KOPERBERG: That is always a possibility. It is a significant problem inasmuch as tens of thousands of people are already involved and we certainly would not encourage potential members to become members for the wrong reasons—reasons other than altruistic and self-protection reasons.

Mr PAUL McLEAY: We have heard that New South Wales Fire Brigades can charge for callouts and other events. Is the Rural Fire Service able to charge individuals or businesses directly for callouts or other services?

Mr KOPERBERG: We are much more benevolent. Of course, we do not have the same range of incidents to which we respond. Mr Mullins has testified in relation to smoke alarms. We do respond because, in addition to being responsible for bushfire protection, we also provide fire services to some 1,200 towns and villages throughout New South Wales—those areas not covered by New South Wales Fire Brigades. So we respond occasionally to things such as false alarms and what have you, but not nearly as prevalently as New South Wales Fire Brigades—although we do support it in joint responses and so on. Nor do we have a principal role in hazardous material incidents or rescue incidents and we attend very few high-rise buildings, nursing homes, aged care facilities and education facilities, which invariably are the principal originators of false alarms in the current system. It is not as big a problem for us.

Mr PAUL McLEAY: So you do not charge?

Mr KOPERBERG: No.

Mr PAUL McLEAY: Given that you support the current method and principles involved, do you have a view about the concept that other volunteer organisations, such as the State Emergency Service, and other emergency response organisations, such as the ambulance and the police, do not charge the insurance industry? Did you have a view about the fact that you still should?

Mr KOPERBERG: I do not have any view about the police side of it. How far do you extend it? Do you extend it to every area of public service? Do you extend it to teachers, medical staff

and so on? I do not know. But I do have a view on the State Emergency Service. The State Emergency Service is also a volunteer-based organisation. It is the combat agency for floods and storms and it supports other agencies, such as the NSWFB, the RFS, the police and what have you in a whole range of activities. Therefore, it makes a reasonable contribution to lowering the insurance industry liability in much the same way as the fire brigade and the Rural Fire Service do. Yet it does not derive the benefit of some contribution to reflect that. The reality is that the present system is risk based and the beneficiaries of an effective and responsive emergency management system are the very people who are asked to contribute towards its maintenance. The SES is out of the loop and a good case could be mounted as to why that should not be the case.

Mr STEVE WHAN: You gave evidence earlier about the cost of maintaining the fleet and equipment that is currently with local governments and the possibility of transferring it. Do you have an estimate of the recurrent cost of that fleet? Is it included in the \$70 million in local government contributions or is it additional?

Mr KOPERBERG: We have based our figures on a depreciated value of the assets. In addition to the \$455 million worth of vehicles and the \$524 million worth of real estate, \$247 million in ancillary equipment was provided over the past nine years. That makes an estimated total of \$1.2 billion, or in that order. It is vested in local government. Land tenures on which stations are sited vary right across the spectrum of land tenures. No future local government involvement would almost undoubtedly lead to a transfer of those assets. It would seem rather strange were a different funding system to be responsible for the provision of the assets and yet they were vested in an entity with no financial responsibility for the maintenance of them and what have you.

So it stands to reason that New South Wales, the State, would be faced with a significant financial impost in bringing all those assets across to the State, but of far greater significance is the very real possibility that those who no longer contribute to the scheme will play no part in what was traditionally, historically and conventionally their responsibility in looking after that and maintaining it because it does not have that responsibility anymore. We have not done an estimate on how much that would cost but a figure in the order of \$20 million would not be unreasonable.

CHAIR: Just one final question for both of you. Could you please explain to the Committee what your views of the firefighting reserve fund are and what implications, if any, are there if a fund such as the one outlined in the terms of reference was actually introduced?

Mr KOPERBERG: I suspect we both have the same view but Mr Mullins has already testified that it is not uncommon for the industry to overcollect one year and underestimate the amount required to be collected in another year, because these budgets vary and the whole landscape of insurance is very dynamic. So sometimes it would find itself having to go back to its members to seek a greater contribution. If all of the premium income which related to fire service levies on a broader base than is currently the case were put into a special deposit account or a trust account or whatever, then it would achieve a number of objectives. One is it would enable the industry to be more consistent in terms of its need to collect from its member agencies, or the Government to collect from the insurance industry.

The other objective is that it would in fact provide a reserve fund to do precisely what is contained in the submission, and that is to cater for those occasions of extraordinary circumstance when the normal budgeting process cannot be expected to anticipate the cost of providing a significant or extraordinary response to an extraordinary event. At the moment that is one of the biggest budgetary problems that we have; we cannot anticipate what the next fire season is going to be any more than Mr Mullins can anticipate a major accident in a refinery or a hazardous incident which might cost 10 or 15 per cent of his budget to handle. So a reserve fund would achieve a number of objectives in that regard.

Mr PAUL McLEAY: So how do you work it out and when do you notify the insurance industry that they must pay in arrears?

Mr KOPERBERG: Well, of course, the determining factor in how much both local government and the industry have to pay is the New South Wales Government—the New South Wales Treasury—inasmuch as their contribution attracts the other contributors. So if they say, for

argument's sake, "We are going to give the fire service \$100 million", then the insurance industry has to report to us on revenue collected and in what categories and we levy them according and up to a limit determined by the percentage at which they have to contribute to the total pool. There is no provision for extraordinary events. These are invariably taken care of, to some degree—not nearly as great a degree as perhaps ought to be the case—by the natural disasters funding arrangement with the Commonwealth where at a certain threshold the Commonwealth begins to contribute towards the mitigation of what it classifies as natural disasters.

CHAIR: Mr Mullins?

Mr MULLINS: I think what Mr Koperberg was mainly speaking about then was our suggestion that the trust fund be set up by the insurance companies remitting every cent they collect, under the mantle of the fire service levy, into a trust fund. The only proviso I would put on that is that we have to be a bit careful about how the Federal Government views that in terms of natural disasters funding. There have even been suggestions lately that they may not fund us for "unnatural" bushfires. Now what an unnatural bushfire is I do not know, but there have been suggestions that where arson has been proven it is not a natural bushfire, even though it is driven by wind, temperature, humidity and fuel in the natural landscape.

So a bit of care needs to be taken in saying exactly what such a trust fund is for. I admit to a bit of nervousness in the suggestion that in a new levy system there would be this emergency fund because the very people who are making such suggestions about arson may say, "Well, New South Wales does not require assistance in disasters anymore". So that would be the one proviso. We would need to be very careful. Our suggestion is to provide some transparency, a bit of a hedge for the insurance companies in those years that it undercollects, and some money there for improvements or to assist in disasters.

CHAIR: Gentlemen, thank you so much for the time and the effort you have put into your submission.

(The witnesses withdrew)

CHRISTOPHER SCOTT READ, State Secretary, New South Wales Fire Brigade Employees Union, 267 Sussex Street, Sydney and

MICHAEL ANDREW WRIGHT, Senior Industrial Officer, New South Wales Fire Brigade Employees Union, 267 Sussex Street, affirmed and examined:

CHAIR: In what capacity do you appear before the committee?

Mr WRIGHT: As Senior Industrial Officer, New South Wales Fire Brigade Employees Union.

Mr READ: State Secretary, New South Wales Fire Brigade Employees Union.

CHAIR: Do you desire to have your submission form part of your formal evidence?

Mr READ: Yes.

CHAIR: Would you care to make an opening statement?

Mr READ: Hopefully, our submission is sufficiently clear so I do not propose to go over it unnecessarily again. At the heart of this debate, if you like, is the assertion by some that there are free riders in the current system, and those free riders need to be removed. I think that upfront it is appropriate to say that I do not think there is any perfect system of funding. I think the Robson report and numerous reports and investigations which have predated this one have all drawn that conclusion. We certainly concur with that view. That being said, we believe that the current system is appropriate. It is, all in all, the fairest and most equitable and should, therefore, be maintained with the one minor adjustment, that is, we believe that local government should be removed from the equation. We have argued why that should be.

CHAIR: Would you elaborate?

Mr PAUL McLEAY: Particularly the word "minor".

Mr READ: It is, we believe a minor adjustment. I took on board the views of Commissioner Koperberg. By removing the local government funding contribution, of course, you also remove that weight and burden from ratepayers in New South Wales. We are proposing that that gap be made up instead by the State Government and insurance companies. The continued role of local government has no real basis. Certainly in the case of the New South Wales Fire Brigades, prior to 1990 where there was a Board of Fire Commissioners, local government was represented on that board and is no longer. Local government has little, if any, role in the operation of the New South Wales Fire Brigades, and we see no role for local government to be involved in its funding.

Local government has often itself expressed that view and complained that it had no input into the roles and operations of the Fire Brigades. When it comes to the Rural Fire Service, I took on board the comments of Commissioner Koperberg in that regard and it may well be that there is justification for the continuation of local government in the operations and funding of the Rural Fire Service arm of the fire brigades in New South Wales but not of the New South Wales Fire Brigades itself. On that point, I note that the Local Government and Shires Associations has proposed that it has now changed its tack in suggesting that it should collect fees based on rateable land values on behalf of the State Government and actually pick up some 4 per cent or 5 per cent in fees for doing so. So it is seeking to shift itself from being a contributor to the fire services to actually making a profit from that. We do not endorse that proposal.

In respect to the other argument about the involvement of local government, local government has often complained that fire service costs increase disproportionately, and above and beyond the rate pegging which applies to councils. That is a frequent complaint made by local government. Notwithstanding that, it is our understanding that one of the avenues available to local government is to seek increases above rate pegging increases in the fire service levy. Where that is

sought, it is my understanding again, that there has been no such application ever rejected. Unfortunately though many of those local councils which do make those complaints do not seek that exemption.

In relation to other arguments in speaking to our proposal, the Robson report previously found that State Government is a major beneficiary of fire services being a self-insurer. State Government does not contribute to the fire service levy because it is a self-insurer. In 1992-93 the Robson report found that the State Government effectively did not make a positive contribution to the funding of the State's fire services. Whilst at the time the notional contribution of State Government was in the area of \$20 million per annum to the New South Wales Fire Brigades, it received back some \$15 million in stamp duty, some \$8 million in payroll tax and, all in all, made a notional profit of some \$4.5 million by running the New South Wales Fire Brigades. We would suggest that shortfall in local government funding by the removal of local government from the equation, could be met by a real contribution from State Government towards the New South Wales Fire Brigades whilst at the same time delivering tax relief to the ratepayers of New South Wales.

The other observation we make, the argument that is advanced by the insurance industry that the fire service levy is somehow a tax, we reject. In our view the fire service levy is not a tax. The fact that the Insurance Council of Australia decides to market it as a tax is of its own doing. In our view it is very clearly a general cost of doing business in the insurance industry. It is another cost, just as are their electricity bills, their wages bill, their rent and the like, it is not a tax. Therefore, we also reject the assertion that has been raised by many that with the advent of stamp duty, GST and the like it means that that results in a tax, on a tax, on a tax. It is not a tax to start with, and we do not see that that is a consideration or a concern.

CHAIR: Is there any validity to the argument of the Insurance Council that if the levy were removed from insurance contracts more people will take up insurance contracts and, therefore, the community would be better protected in the event of fire?

Mr READ: Absolutely not. We do not believe there is anything to substantiate those claims. We do not believe that people disaggregate the costs that are built into insurance premiums. They look at the total cost and they choose to insure or not to insure. Again, the so-called fire service levy is merely another component of the overall cost of operating the insurance industry. I do not know anybody—and I would be surprised if anyone on the committee actually did so themselves—who actually disaggregated all of the costs that make up the premiums in their insurance policy before deciding whether they were going to insure.

Mr PAUL McLEAY: Insurance is price sensitive.

Mr READ: That is true, but I do not believe it is price sensitive to the point that people actually take into account the fire service levy in making a decision whether to insure. Further to that point, there is certainly nothing which could compel the insurers to pass on any savings should that so-called yoke be lifted from the insurers. We see nothing which would require the insurers to pass on that saving to their clients, and we would suggest that history suggests that it has not happened anyway.

Ms GLADYS BEREJIKLIAN: Is the union concerned that if the proportion of funding that comes from insurance companies is increased it will affect policyholders and exacerbate problems regarding non-insurance and under insurance?

Mr READ: No, we do not. We believe it would be at the margins. Further, we believe and contend that insurance—not every insurer has done it but the industry as a whole has, over time, skimmed off the top. In fact, the Robson report found 10 years ago that the levy that they attributed to the fire service levy was not all passed on and that they have been skimming significant amounts of money off the top and sticking it in their pockets.

Mr PAUL McLEAY: I was surprised that insurance companies are removing from their invoices the fire service levy. I would have thought they would be promoting the benefit of that and letting people know that insurance companies are paying this premium. They could even break down their premium to say, "It is not just all us, it is something further." Do you have any view on that?

Mr READ: There is no requirement for them to show any such cost. There is no such levy; it is just a cost that is levied. But, again, it comes back to our point that it is a general cost of operating in the industry. The fact that some insurers choose to express it as a fire service levy is simply of their own choosing. They could express it; they might not. We have proposed, where it is expressed, that that amount should have to be remitted by legislation to the Government if for no other reason than to avoid that skimming off the top. If an amount were shown on a policy, that would be the amount that would have to be forwarded on to the Government.

Ms GLADYS BEREJIKLIAN: What research or analysis did the union do to come up with the 82 per cent figure?

Mr READ: We split the figure in half. It was that scientific. We have a view that the insurance industry is claiming to be in crisis, particularly at the moment. It is still the fact that the biggest buildings in town have usually got insurance company names at the top of them. We do not see that insurance companies are doing it particularly tough.

Mr PAUL McLEAY: Is that your scientific basis?

Mr READ: That is about as scientific as it gets.

Ms GLADYS BEREJIKLIAN: What do you say about the argument that local government has assets totalling billions of dollars. I want to understand the rationale as to why you think the local government contribution should be reduced, given the number of assets local governments have?

Mr READ: Those assets are vested in local government. They are purchased through the Rural Firefighting Fund. I take it that this is with regard to the Rural Fire Service?

Ms GLADYS BEREJIKLIAN: My question is a general one about why you think the local government contribution should be reduced. You partially answered it before, but I want to understand the rationale.

Mr READ: They pay insurance. They do not self-insure like the State Government does, for the same reason that local government does not contribute to the police service or the Ambulance Service or other emergency services directly in their area. The connection with local government is, by and large, an historical one only. It was relevant in 1882; it is not relevant in 2003.

Ms GLADYS BEREJIKLIAN: I return to the point about insurance companies. Does the union not agree that insurance companies are merely collection agencies for the levy and that any additional impost will actually fall on the policyholder?

Mr READ: No. Insurance companies are direct beneficiaries of the fire services. It is the reason why, going back to 1882, the insurance companies ran their own fire brigades. It was not out of any public good; it was to maximise profits. It was out of pure self-interest that insurance companies maintained that. That was an unsustainable system at the time and State government rightly assumed responsibility for the provision of fire services but, in doing so, they also continued to keep insurance companies in the funding loop.

One of the big problems about the free rider argument is that if you change the system from the current system, then the largest single beneficiaries, which we argue are the insurers, become the largest free riders. We cannot see any reason for that to occur.

Mr RICHARD TORBAY: I was a former mayor when a number of fire situations occurred. I observed from the local council chamber the infrastructure, intellectual capital and history over the years unfold into this event. Local government is saying that they have a shared responsibility and that is the way it unfolded. There has to be a cost associated with that as well. It was clearly a shared responsibility. Do you dispute that and suggest that local government should be removed from being a contributor?

Mr READ: No. We are actually making a distinction between the two fire services. I do not want to go into the two fire services debate. However, whilst there are two fire services, I think there is a distinction to be made. One is a professional service; one is a volunteer service. Local government has had a very strong role historically with the volunteer fire brigades, and an appropriate one. Some would argue now that is being diminished, centralised and focused elsewhere, but I will steer away from that as well.

Local government, arguably, should still remain involved in the operations of the Rural Fire Service and the funding of the Rural Fire Service. There is that level of co-operation and a very direct involvement in major incidents. However, local government has probably been the largest critic of the Fire Brigades over the years, saying it seemed to be a bureaucratic, Sydney-based, distant organisation, which turns up, does what it wants to do and leaves again. We are only responding to that sort of criticism and saying, whether or not that is a fair assessment, it is certainly widely regarded that way and local government really does not have any great involvement with the Fire Brigades.

CHAIR: It is like local government arguing, "If you do not want us, then we will move on".

Mr READ: Local government has expressed that view, as I understand it, on many occasions with regards to the Fire Brigades and some councils have expressed the view, given what is perceived to be—and I make no comment on it—an increased centralisation of the Rural Fire Service along much the same lines as the New South Wales Fire Brigades and a reduction in local autonomy in favour of centralised control. In the face of that, I understand what you are saying.

Mr STEVE WHAN: I want to take up your argument about local government not making a contribution and it being picked up by the State and the insurance companies. You have gone on to acknowledge that there is still a role for local government in the Rural Fire Service. Surely, that would leave a very inequitable situation in that rural people would end up paying more because they would continue to pay the RFS through their local governments and they would then pay a higher amount on their insurance premium because you cannot differentiate that and you also do not differentiate on State tax. They would end up paying more State tax as well. Surely on that argument, differentiating between the two is not really sustainable?

Mr READ: Actually, local government contributes above and beyond that as well, to the Rural Fire Service but not to the Fire Brigades; it voluntarily contributes and purchases tankers, various equipment and the like. That goes on, to some extent, at any rate as a consequence of that. Our preferred model would be to remove local government altogether. I am responding to Mr Koperberg's claims in that regard. It may well be the case that what you say would be true. It is not the model that we proffered or put forward. Should local government not be involved in the funding of fire services, it would not necessarily preclude local government's involvement in other ways. It does not necessarily follow that that is the case, just the same as local government works quite closely with police on local issues yet does not fund the police service for a cent.

Mr PAUL McLEAY: Following on with that argument, surely if local government is excluded and it really is just a system to help capitalist companies, should not the rest of the proletariat be excluded as well? Why have the State contribute at all?

Mr READ: We have raised that point and said that if the State Government was not a self-insurer and did insure commercially, as does everyone else, then arguably that would be appropriate and the insurance companies would then foot 100 per cent of the bill. However, the State Government does self-insure and, therefore, avoids paying tens of millions of dollars in what would otherwise be the fire service levy and, therefore, it is appropriate that the State Government should meet the cost. Above and beyond that, there is the obvious point that there is the public good to be gained from that, and I am sure everybody acknowledges that the State has a role to play in the provision of emergency services.

CHAIR: What is your view about putting a levy on motor vehicles?

Mr READ: We were here for that debate. We do not believe there is need to charge for every aspect of operations. The logical extension of that might be to put a levy of \$1 per head on

every cat in the State in case it ends up in a tree. We do not regard it as logical to charge for every operation that occurs.

CHAIR: What if it is a significant operation? You have a terrific facility in Shellharbour now, a great Hazmat system.

Mr READ: Fantastic.

CHAIR: Yes. The local member works very hard! I would think among its activities the Hazmat response team would deal with hazardous materials spilt on the roads by large haulage vehicles. There is certainly not a lot of heavy industry around that area. Why then should that cost not be passed on to the people who benefit from that service?

Mr READ: There may be an argument to do so with regard to commercial vehicles and the like. As Commissioner Mullins said, Fire Brigades has the capacity to charge in respect of non-fire hazardous materials emergencies. I do not know that Fire Brigades do that all that often. My understanding is that they seldom do that. But Fire Brigades has the capacity to apply charges in non-fire situations or potential fire situations.

Mr RICHARD TORBAY: At page 19 of your submission you use the terms "ad hoc" and "free riding" regarding the current system. You say this issue can be addressed by giving the uninsured clear signals. You give the example of economic sanctions. Have you any suggestions about how you would do that?

Mr READ: This is the argument about charging the non-insured. Victoria has that system. I think it presents with its own political difficulties for the government of the day, because under that system there is the capacity to bill those who are not insured in the event that fire services turn up and provide them with some service. The obvious problem with that is that those whose houses burn to the ground but have nothing and are not insured can then be hit with a bill by the State government. I do not think any Minister would like to be responsible for that scenario. It is problematic. That circumstance comes to the fore every now and then in Victoria. That is one possible model. But to those who say, "The only way to get around the free rider system is to move to some sort of rate-based or property-based approach," we would say that is clearly not the case, because there are sanctions that could be applied to the non-insured. It is very difficult to make insurance compulsory, but you can apply sanctions to those who are not insured and subsequently rely on fire services.

The other observation I would make—at the risk of appearing to be mean spirited—is that we believe governments of all persuasions send very confusing signals to the non-insured following major bushfire emergencies by rewarding bushfire victims who were not insured with cash grants and donations. It is a bit hard to complain about people being underinsured or not insured while at the same time rewarding uninsured people. That might be well and good, but the problem that I personally have with that approach—which is evident at the end of every major bushfire conflagration—is that if you are uninsured and your house happened to be one of a hundred that burnt down, the Premier will turn up, give you a cheque for \$10,000 and pat you on the back. However, if your house burns down in an isolated incident, not related to a major conflagration, and one that does not attract media attention, that is your bad luck. I do not think the circumstances of those who lose their houses in one-off isolated incidents are any less grievous than those who lose their houses in a major bushfire. The result is the same, and the impact on the individual is the same.

CHAIR: While we are on the issue of people who do not insure, I might ask you whether the union has any recommendations to encourage property owners to insure?

Mr READ: We would welcome educative campaigns. There are a number of ways that could be done. Rather than repeating them, I might just say that I think they were explored at some length in the Victorian review. But there could be community educative approaches, combined with possible sanctions. We are not putting sanctions forward as a preferred approach for the non-insured. However, sanctions do stand as an argument against those who say, "There is no other way to get around the free rider question." So we would probably favour the carrot more than the stick.

CHAIR: Would your position be similar with under-insurance?

Mr READ: I found the early debate interesting. The figures seem to vary anywhere between 5 per cent and 50 per cent.

Mr RICHARD TORBAY: And 25 per cent.

Mr READ: The truth of that seems to be very hard to find. If somebody has the exact figure on under-insurance, we might be able to get a handle on the extent of the problem. I was amazed by the 5 per cent figure that Commissioner Koperberg trotted out, because that is a very low figure. I would be happy if that was the case. I am in no position to question or challenge that figure, but it is very low. If it is that low, or even if it is 10 or 15 per cent, it is still at the fringes, and the public good of providing fire services overrides any consideration of trying to squeeze a dollar out of every citizen in the State.

Ms GLADYS BEREJIKLIAN: Mr Read, in relation to your recommendations on funding, are you suggesting that a percentage of the State government contribution should come out of consolidated revenue? Is that right?

Mr READ: Yes.

Ms GLADYS BEREJIKLIAN: You expressed concern that, if the system was changed, the savings that insurance companies made might not be passed on to policy-holders, and how would we guarantee that those savings would be passed on. Given you are now recommending that local government be taken out of that equation, how do you propose that guarantees be put in place to ensure that rates reflected the lifting of the burden from local government?

Mr READ: I would imagine there is a far more simple legislative action available to Parliament.

Ms GLADYS BEREJIKLIAN: So you would suggest legislating?

Mr READ: To do just that, yes. That would be a far easier thing to do.

Ms GLADYS BEREJIKLIAN: So you say we should legislate to guarantee that the savings would be passed on to ratepayers?

Mr READ: Yes. I stand to be corrected here, but I would imagine it could be done by ministerial direction. Rate reduction proposals should enjoy a fairly easy passage through Parliament.

CHAIR: Your submission opposed setting up a fire fighting reserve fund for the fighting of major bushfires. Could you explain to the Committee why you do not agree with the establishment of such a fund?

Mr READ: Yes. Nor did I agree with the previous submissions put forward by the Commissioners: that it is impossible to predict what will go on. These major incidents are episodic in nature. They do fluctuate, and hopefully we will have a fairly good season this summer and we will not see a repeat of the last couple of summers where we have had major incidents. But, generally, every seven years or so major bad bushfire seasons come around as part of a cyclical event. Really, long-term planning should allow that to be factored into any funding arrangement. Above and beyond that, though—and I am a little bit woolly on this, so I am skirting around the fringes of it—I understand that if the cost of a major bushfire emergency exceeds something like 2½ per cent of the projected funding for provision of those services over a year, Federal Government funding then comes in. So, if there is a wild variation in projected funding due to some major emergency, the Federal Government does provide some relief. To what extent, I am not sure, but I do know that that funding is available to the State. Other than that, we have been around for a long time, and the trends and patterns are there, and we believe those major events should be able to be catered for within the long-term budgetary planning processes for both the services.

CHAIR: If there are no more questions, I commend your advocacy on behalf of your members and I thank you for your submission and for appearing before the Committee today.

(The witnesses withdrew.)

STEVEN GEORGE YORKE, President, New South Wales Rural Fire Service Association, 233 High Street, Penrith, and

ARNOLD KEITH JORDAN, Executive Officer, New South Wales Rural Fire Service Association, 233 High Street, Penrith, sworn and examined, and

DONALD LUSCOMBE, Secretary, New South Wales Rural Fire Service Association, 233 High Street, Penrith, affirmed and examined:

CHAIR: In what capacity are you appearing before the Committee?

Mr YORKE: I am appearing as the President of the New South Wales Rural Fire Service Association.

Mr LUSCOMBE: I am appearing as the Secretary of the New South Wales Rural Fire Service Association.

Mr JORDAN: I am appearing as an executive officer of the New South Wales Rural Fire Service Association.

CHAIR: The Committee has received a submission from you. Is it your wish that that submission form part of your evidence today?

Mr YORKE: Yes it shall. With the Committee's indulgence, I would like to pick up some of the points made throughout our submission. As you are aware, the New South Wales Rural Fire Service covers some 90 per cent of New South Wales and protects some 1,200 towns and villages, as the commissioner mentioned this morning. Funds are drawn through the fire service's levy, of which 13.3 per cent is from local governments, 13 per cent from State Treasury and 73.7 per cent from insurance companies. The Association's members are volunteer professional members. It represents the largest volunteer organisation in the Southern Hemisphere with more than 65,000 members representing 2,100 brigades in some 130 local governments areas.

Our members play a vital role in fire protection and suppression, and provide community education to assist other emergency service organisations in a range of activities, including motor vehicle accidents, search and rescue, and storm damage. The volunteers service make a major contribution to the New South Wales community. We believe it is upwards of over \$500 million per annum—five times that of insurance companies. We believe that the volunteers in the service continue to provide a highly cost effective and real value for money contribution to the State in relation to the provision of fire service, and that has been reflected in the past two fire seasons.

However, the Association is concerned about the sustainability of any changes to the current system. The component of funding of the fire service apportioned to the insurance companies according to market share is an issue. The companies recover this amount from the policyholders and then that is bid for through the fund. Apart from the funding provided under the current arrangements, many local government councils supplement this amount to brigades by allocating additional funding—something contrary to what we believe Mr Read has stated in his previous submission. We do not believe that local government should be written out of the equation altogether. However, there is an argument possibly to reduce the percentage that currently applies to it.

The insurance company of Australia [ICA] argues that fire is only a small portion of its risk but has not taken into account the suppression and mitigation efforts, nor the fire prevention efforts made by the Rural Fire Service volunteers and career staff through the various programs that we have implemented, such as fireguard for kids and community fireguard. Therefore we would argue that insurance companies are closely linked in that respect. The association's view is that an insurance-based funding system is the appropriate scheme, linked with contribution to beneficiary. However, the association also recognises some of the inequities arising as a result of the non-insured or underinsured, and we support the view of the ICA that there needs to be some equity in this.

The Association would therefore suggest a modified version of an insurance-based scheme. This would be the most appropriate for fire and emergency services in New South Wales. We are also concerned that if the current arrangements are removed from the insurance sector there is no guarantee offered by the ICA that insurance premiums will be reduced and that any recommendations would be sustainable. In similar fire services across Australia, the insurance-based system operates here in New South Wales and in Victoria. Probably both systems operate in South Australia, Queensland and Western Australia, and a consolidated revenue approach in the Australian Capital Territory and the Northern Territory.

It is interesting to note that in discussions with our associates in South Australia, where a property-based system was introduced not that long ago, it created a fair amount of turmoil and has also incurred a great cost in infrastructure to collect the levy and so on. They were the views from the president of the Association over there when we met with them several weeks ago.

The Hon. JOHN RYAN: Has he written anything about those costs and the turmoil?

Mr YORKE: Not that I am aware of. We were in South Australia, we met with them and discussed this as part of a submission.

CHAIR: In your discussions with him next time, if there is anything in writing could you forward it to Committee?

Mr YORKE: I can certainly do that, yes. The view of the Association is that some of the inequities of the current system may be addressed while retaining an insurance-based approach. These include improved transparency and addressing the lack of contribution in some other sectors, namely motor vehicle owners and the non-insured, and contributions in the residential sector—buildings compared to contents and so on. This would be better aligned with the distribution of benefit. Association members will regard property levies an additional form of property tax, particularly as they are the ones providing service in the rural areas. We do not believe that is appropriate.

Any property levy fails to recognise the involvement of fire service activities in the protection of not only their own properties but any additional activities as mentioned earlier, such as motor vehicle accidents, storm damage, and search and rescue. We are also concerned that a property-based proposal will be interpreted in the wider community as a State levy or tax collected by councils, which will have the potential of many councils withdrawing from direct or indirect financial support to the local brigades. Many councils in New South Wales currently contribute over and above the rural fire levy, which is of great assistance to the association's members. It would be perceived as a more centralised approach, which is something we do not agree with.

Realistically, there is a moderate alignment to the benefits through funding between the residential and commercial sector; insurance premiums reasonably reflect the level of benefit received by the consumer; and the system is simple to comply with and cheap to administer. The Association is concerned about the sustainability of future funding—that is the argument in relation to the amount local government contributes. However, we would argue that wholesale changes to the current system would be more disruptive and jeopardise the community-based Rural Fire Service as we currently structure it.

We would recommend that a modified insurance-based system be put in place, which would refine the base of allocation of the contribution between insurance companies and property classes. Also attributed to that is property value against insured value, which is something that could be addressed. Insurance companies should identify the statutory contribution component on their premium notices. A contribution should be made by motor vehicle owners by introducing a motor vehicle levy through an apportionment in the green slip. A contribution should be made by non-insured by increasing cost recovery or implementing a compulsory contribution scheme for non-insured or a discount on rate notices for insured properties.

Finally, the current contributory system does not specify the requirement for insurance companies to include or identify the collection of a levy through premiums recommended by the Insurance Council of Australia. We believe that needs to be open and transparent so that everyone is

able to ascertain what funds are available. The association believes that there should be a requirement through government legislation. That is the end of our submission.

Mr RICHARD TORBAY: You referred to local councils contributing over and above the mandatory figure. On page 4 of your submission you estimated that to be around \$20 million.

Mr YORKE: Yes.

Mr RICHARD TORBAY: Clearly, you would be concerned that those funds would dry up if you went to a property-based scheme?

Mr YORKE: Certainly. We are very much aware of councils, which I will not name, that contribute up to \$1 million through a rate-based system. Our concern is that if we introduce another one they will take it as one and not have another tax. They will simply say, "That's it" and there will be no more additional funding. That happens in a number of larger councils, particularly around the Sydney area.

CHAIR: You spoke about the concern people have that, if the levy came off insurance contracts, the premium would not reduce proportionally. Do think that is a risk and, therefore, we should not move? Is that a risk that the Government can manage or for which it can provide a solution?

Mr YORKE: I would think that the Government would have to come up with a solution if it were to remove that, yes. There is no guarantee from insurance companies that they could reduce premiums.

Mr PAUL McLEAY: Could you explain how you would implement a cost-recovery scheme for non-insured people?

Mr YORKE: As we said in our submission, we were looking at something similar to a green slip. You would get some reduction in your rate notice. We have not explored fully how that would be implemented, but those who were insured would get some benefit. It is a bit of a carrot, if you like.

Mr PAUL McLEAY: If there were an incident and it was discovered that those involved did not have insurance would it be done in arrears, or would it be done proactively?

Mr YORKE: There are two arguments. I suppose the proactive approach would be the way to go, and I take on board the previous submission by Mr Reid that it could be more of an education process as well. Conceivably, though, an arrears system could be put in place. We would need to explore that further. At the time of the submission it was something that was discussed at the association level without going into how we would administer it or how it could be administered.

CHAIR: The Insurance Council has said that insurance is so highly taxed that the cost of getting insurance is prohibitive and therefore people will not take it up. It argues that the more people who have insurance creates a social good and if a disaster happens those people can have their houses rebuilt. Does the association have a view, counterargument or even agreement with that?

Mr LUSCOMBE: If I understand your question, you are saying that the Insurance Council is arguing that by taking the levy off more people will insure?

Mr STEVE WHAN: Yes.

Mr LUSCOMBE: I think most of us around the table would be hard pressed to find an insurance premium that has gone down, and I cannot see insurance companies doing anything other than maintaining the premiums or a minor reduction for a short period of time. I think that would be the general view of most people.

CHAIR: Clearly, green slips came down in New South Wales with adjustments.

Mr STEVE WHAN: The Government regulated.

Mr LUSCOMBE: That is the only other answer, is it not, to regulate? I think the argument put by the Fire Brigade Employees Union earlier that insurance companies are one of the main beneficiaries of fire services is borne out by history. That is where fire services started, with the New South Wales Fire Brigades, and the Rural Fire Service started as a community-based organisation where the insurance companies were not terribly interested in putting in a fire service. The insurance industry still has a huge stake in the fire service.

Mr PAUL McLEAY: Given the argument that the Rural Fire Service filled a gap where the insurance companies were not interested, what is your argument then that insurance companies should be funding it?

Mr LUSCOMBE: The insurance companies have a huge interest in rural Australia today that they did not have 120 years ago.

CHAIR: Can you explain how you would implement a cost-recovery scheme for the non-insured?

Mr LUSCOMBE: I thought you answered that a second ago. That was a question asked in terms of giving some sort incentive.

Mr PAUL McLEAY: You would not charge?

Mr YORKE: No, it would not be a charge. It would be more of a discount, a reimbursement for being insured.

Mr PAUL McLEAY: We have evidence that if we were to move to a property-based system that rural fire services should get a discount. Do you have a view on that and, further, are you of the view that your members should receive a discount on their insurance premiums if they also contribute?

Mr YORKE: If it was to go down the path of a property-based levy, I would strongly recommend that those people who are volunteering their time—as we have indicated, probably conservatively \$500 million worth of time and effort—they should receive something for that. Otherwise, I can imagine a number of them would take the view that I am paying to fight my own fire.

CHAIR: They do not get a discount at the moment when they insure.

Mr LUSCOMBE: Perhaps they should.

Mr PAUL McLEAY: Do you have a view on that?

Mr LUSCOMBE: This has been around a long time. I have been in the Rural Fire Service 27 years and it was certainly something that was floating around on and off over those 27 years. As to why change it, I guess if you are looking at changing the funding base, you can look at various aspects of it, and that is just one of the incentives.

Mr PAUL McLEAY: Have you ever had any formal discussions with the insurance industry about it?

Mr YORKE: No.

Mr LUSCOMBE: No.

CHAIR: Have you any closing statement you would like to make?

Mr YORKE: As I suggested in the submission, while we do not endorse ruling local government out of the equation entirely because of the social capital and the link we have from the Rural Fire Service perspective, in the future we need to look at the percentage that local government

contributes to the fund. That is something we probably need to address in light of increasing costs, and so on.

Mr LUSCOMBE: In closing, the one point I would like to make fairly strongly is that any changes should be viewed in the light of having as minimal an impact on community-based volunteer fire fighting as possible, and we should ensure that it does not do any harm that would stop people wanting to be involved in that.

CHAIR: If we have any other questions, you would be happy to take them on notice and later time?

Mr YORKE: Yes.

(The witnesses withdrew)

DAVID RONALD ALLEN, Acting General Manager, Driver and Vehicle Strategy, Roads and Traffic Authority, 260 Elizabeth Street Surrey Hills, and

VICKI JOANNE SHARP, Unit Manager, Projects, Registration Policy and Projects Section, Driver and Vehicle Strategy, Roads and Traffic Authority, 260 Elizabeth Street Surrey Hills, affirmed and examined:

CHAIR: We received a submission signed by the Minister. Is it your wish that this submission be the part of your sworn evidence today?

Mr ALLEN: That is right.

CHAIR: Would you like to make an opening statement?

Mr ALLEN: I think essentially the solution we provided covers the position of the Roads and Traffic Authority. The other thing I would like to point out is that in reviewing some of the submissions that have come in we can understand and appreciate the role of the Committee to improve the efficiency and the funding of fire services.

We believe that the best way to actually fund the fire service is via some form of property tax. The call-outs for motor vehicle accidents are relatively low. We think there is some simplicity in having one mechanism through which to claim this and we think that property tax does that. It should be noted that in New South Wales, on average, every household has two vehicles, so effectively you would be picking up the cost of call-outs for motor vehicles through the property tax of the household. There is some administrative simplicity in actually just having one levy instead of splitting it. The other thing to also note is that some of the submissions have done some calculations on what a proposed levy may be on motor vehicles. It is relatively small, so again we think it should be rolled into the property tax.

The Committee should also note that in New South Wales about 13 per cent of people who take out registration are pensioners. As a consequence they do not actually pay any fees on the motor vehicle tax or the administration fee. So if the suggestion is that the levy be put on registration, you would actually have about 13 per cent of people registering a vehicle who were coming in and paying a very small fee. Again, there would be some administration costs involved in there. I think the submission also pointed out that if you believe it is important to have some relationship between motor vehicle call-outs and the cost of fire services, then we think it is more appropriate for that fee to be on compulsory third party [CTP]. Effectively, everybody pays CTP. There are no pensioner concessions. It is effectively an insurance levy and we think it is more appropriate that it be on a CTP rather than a registration fee. That is essentially the position of the Roads and Traffic Authority [RTA]. We believe, firstly, it should be property based. If you believe that it should be on vehicles, then we think it should be appropriately on a CTP-type levy.

CHAIR: One of the arguments put forward to the Committee about why it should not move to a property base is that you are changing the tax collectors from about six main insurance companies, although there are probably only three, to 172 councils. If you follow that argument along the lines of looking at motor vehicle insurance, if this tax can be collected by just one agency, being the RTA, why would you then move it over to a number of different insurance companies? It is the argument that fewer collecting agencies are better than more.

Mr ALLEN: From what we have read, I think that the majority of the call-outs are for property-type fires. I think is appropriate to have the primary linkage between the activity and the funding. It is inefficient to put the whole cost of fire services onto motor vehicles because they only represent a generally small percentage of call-outs. I understand what you are saying in terms of administration. I do not know enough about local government and how it works, but I am sure there would be some effective way of collecting that.

CHAIR: Are you aware of the South Australian experience involving its RTA equivalent collecting the levy?

Mr ALLEN: I am aware of that, yes.

CHAIR: Have there been any major problems or concerns that you are aware of with its RTA equivalent collecting this levy?

Mr ALLEN: We are not aware of any particular concerns, but at the same time we have not actually made any inquiries in that regard.

Mr PAUL McLEAY: May I ask in what capacity the RTA has a corporate view on whether these levies should be collected on a property basis versus an insurance basis?

Mr ALLEN: Our point of view relates effectively to what we see as the appropriate allocation of funding. Property, whether it be councils or some other mechanism, is not really our business. We just think that the call-outs for fire services are primarily property based, so therefore there should be some mechanism by which it is allocated through the property.

Mr PAUL McLEAY: If we then go further, if you are saying let us change it from an insurance base, which is insurance for a property, how can you then argue that for your side of the business it should go onto CTP insurance as opposed to registration? Surely the natural equivalent of a property-based system would be a registration-based system versus insurance and insurance.

Mr ALLEN: Our primary view is that everybody pays CTP, so you would be collecting the charge. You are essentially collecting some sort of levy, like an insurance levy, to fund the fire brigades. We just think there is more of a natural relationship with CTP than with registration.

Mr STEVE WHAN: But there is an inconsistency, is there not, in saying that you collect it on the insurance component of the vehicle's cost, but not on the insurance component of a property's costs?

Mr ALLEN: Again, I am not quite sure what the preferred view of collecting a property tax is, whether it is rates or some other way. That is really not our sort of concern.

CHAIR: I suppose the fundamental question is: Should there be any levy collected on motor vehicles? The New South Wales Fire Brigades has suggested that mobile property fires, which are vehicles, account for 15 per cent to 20 per cent of all fire emergencies, and that is 15 per cent to 20 per cent of their work. Do you have any figures to counter that? If you do not counter that, would you not agree that, surely, the owners of motor vehicles should be contributing through their costs of motor vehicles to the fire services?

Mr ALLEN: We are not quite sure actually of the percentage. Some of the other submissions we read seem to have different numbers for call-outs for motor vehicles. It seemed to range between 5 per cent to 15 per cent. I suppose our only position is that, from a purely economic and efficiency perspective, there is probably some valid argument for putting it onto motor vehicles. The difficulty you have got is that the figures worked out by the fire brigades are looking like \$2 to \$5 per vehicle. That becomes a very small amount in terms of administration costs and so on. We just felt that it was more appropriate for that to be rolled into some other broad sort of process.

Mr PAUL McLEAY: We thought it would have been more like \$15 to \$20 per vehicle. But having said that, would you support the principle of its being a staggered tax, such as a small domestic car paying a different rate to a heavy prime-mover carrying petroleum, or a flat rate system?

Mr ALLEN: I do not think we have a position on that within the RTA, but my own personal view is that it would make some sense, as you would actually then be allocating the costs of the risk of the vehicle type. I imagine there are more call-outs for heavy vehicle accidents and flammables than maybe some of the small vehicles.

Mr PAUL McLEAY: Do you have a system that would be able to differentiate between those, if it was to be put onto the RTA?

Mr ALLEN: All of our vehicles are categorised and we apply different sorts of weight taxes and so on, so yes.

Mr PAUL McLEAY: It could be done.

CHAIR: The Committee has heard that only \$23 million has been raised through motor vehicle insurance towards the fire services levy. Is that consistent with the RTA's understanding?

Mr ALLEN: I am not sure. I could not answer that at the moment.

Mr JOHN TURNER: Did you say earlier that one of your concerns is the administrative costs of collecting through the RTA? You just said a moment ago that your computers are set up to differentiate between the various categories of motor vehicles. Would it not be equally easy enough—and I am not a computer expert—to have a program whereby, when it goes through to the cash registers or to our computers, \$10 or \$5 is hived off straight down to Treasury, or whoever is going to spend the money?

Mr ALLEN: Again, I am not an information technology [IT] expert, but we have done some initial costings. It would cost in the order of \$200,000 to do the IT systems.

CHAIR: The initial set-up would be \$200,000?

Mr ALLEN: The initial set-up would be about \$200,000 and it would be about 6 to 12 months to get that done. I think the administrative and ongoing costs really come in during the reconciliation of our financials with Treasury and so on, or wherever the funding would go. I am unable to quantify that at this point.

Mr PAUL McLEAY: Do you know if you would be able to identify on bills where it would be a specific line item—for example, for a fire service levy?

Mr ALLEN: Yes, we would be able to do that.

Mr PAUL McLEAY: Would you support that, if it was to happen?

Mr ALLEN: If we were directed to place a levy on, then we would certainly support having that specified as a specific levy.

CHAIR: Thank you very much for your time.

(The witnesses withdrew)

FIONA CATHERINE McCREDIE, Policy Manager, New South Wales Farmers' Association, Level 10, 255 Elizabeth Street, Sydney, sworn and examined:

CHAIR: In what capacity are you appearing before the Committee?

Ms McCREDIE: As policy manager for the New South Wales Farmers' Association.

CHAIR: We have received a submission from you. Is it your wish that the submission be included as part of your sworn evidence?

Ms McCREDIE: Yes.

CHAIR: Do you wish to make an opening statement?

Ms McCREDIE: Yes. I would like to thank the Committee for the opportunity to appear before you today. Obviously the fire service levy is an issue that is of keen interest to our members. We represent 13,000 farmers across the State, many of whom are actively involved in fire brigades. It is clear that our members believe that the current fire service levy is inequitable and that the collection mechanism needs to be reformed. Accordingly, the association supports the Committee's review of this levy and is pleased that the terms of reference related to the proposed funding arrangements particularly address the issues of equity and also make sure that contributions broadly match the fire service task provided and risk. We think that these are important elements that are not obvious at the moment.

The need for reform has been a longstanding issue for the Association. Again that was confirmed by 400 delegates at our annual conference in 2002, where we supported changes to the fire levy so that contributions from insurance companies are replaced by a levy on all council rates to which all ratepayers contribute. The basis of the Association's position is that the current system is inequitable and has a very narrow funding base. There is also no recognition of direct contributions already paid by rural people. A lot of our members either directly financially support brigades or act as volunteers, yet they pay the same levy as everybody else in terms of insurance policies. We are also a member of the Alliance for Equitable Funding of Fire Services. The additional submission we provided was particularly targeted at the rural aspects that we consider important.

CHAIR: Why did you join the Alliance?

Ms McCREDIE: We joined it because there seemed to be a common groundswell that the levy was inequitable and there were better ways to collect the levy. The level of under-insurance or non-insurance and the fact that ratepayers or people who actually benefit from the service are not having to necessarily pay are major issues that the association members were concerned about.

CHAIR: How do you come to the view of your members? What consultative processes do you use?

Ms McCREDIE: The way the Association forms its policy is we have a number of branches spread throughout the State and each of them has the opportunity to put motions forward. Originally a motion on this issue came from the Ivanhoe branch, but we have probably had motions from about 10 different branches. It then goes to our annual conference where it is voted on by 400 delegates. The issue has reasonably wide support to have it as one of the top 10 motions considered at our annual conference.

CHAIR: As you would probably be aware, the view of the New South Wales Farmers' Association is contrary to the view of the Rural Fire Services Association, which is the association that predominantly represents the volunteers, and the New South Wales Rural Fire Services. The Rural Fire Services Association, in its evidence this morning, promoted retaining the current system because it saw inequities for local farmers and community stakeholders who give up so much of their time to Rural Fire Services. The association said they should be exempt or at least have a discount from the property-based system. Do you have a comment on their submission?

Ms McCREDIE: I have not seen their submission. I will make some comment on what you have said. At the moment it does not matter whether you are a volunteer or not or providing to those fire brigades. People who have insurance policies currently pay that levy. We would have concerns that the argument they have put forward is exactly the same as is happening currently under those arrangements. One of the things that we have proposed, and it seems to be in agreement with the comments you have just made, is that there should be recognition of the service that people put in to those fire brigades. We are suggesting that perhaps there should be a differential rate between city and country to reflect that service. We would hope it is part of the modelling work, whether you use those two categories or some further break-ups. That is an important factor, not only from the point of view of the contribution to the brigades but also the expectation of service. There is a very different expectation by people who live in the middle of the city compared to those who live 100 kilometres from a major rural centre. Those factors are not taken into account at all now.

Mr JOHN TURNER: How would you classify those risks in metropolitan versus country versus remote areas?

Ms McCREDIE: We have not gone into it in a lot of detail trying to work it out. That is part of the reason we joined the Alliance because they were going to do some modelling work and look at some of those issues. It is pretty much on the basis of the factors we talked about: Not only is it the assets on those properties and, therefore, the inherent fire risks associated with them, it is the distance from major towns, the distance from cities and the current support the local fire brigades actually provide in those areas.

Mr STEVE WHAN: Would you advocate that the property-based system includes a risk assessment in the rates that people end up paying?

Ms McCREDIE: We believe it should be on the rates, then there should be some ability to take into account risk. As I say, we have not got the magic answer in how to do that. We hope that the modelling would be able to show whether the risk differences could be reflected in different rates in those areas as opposed to having a complex system of risk rating, which Queensland has with 168 categories. It is getting the balance right between trying to get equity and fairness without becoming an overly administrative process in assessing different risk categories.

CHAIR: Your submission mentioned Queensland and flagged its complexity. Who should assess which areas are high risk or medium risk?

Ms McCREDIE: Having a wide range of stakeholders, you are in a better position to make that decision. Obviously local councils, in some respect, have a pseudo risk by having different categories of rates—if they are commercial or private. That factor could be taken into account, so maybe they are the appropriate bodies. I have not seen any specific data on the breakdown of where the Rural Fire Service and Fire Brigades attend a lot of fires; but that would give an indication of where they see the highest risk. Once we have that information we might be able to give a better answer to your question.

Mr STEVE WHAN: This morning it was suggested that by removing the burden from local government to put in the 13.3 per cent funding, we might not see a corresponding reduction in rates. We might see an increase in administration and other costs amounting to the need to collect about \$100 million more. Would your members support a system which might end up costing them more?

Ms McCREDIE: No. They would certainly have concerns about that. We have concerns on a couple of fronts. We would want to make sure that the State Government's contribution was the same under the new system as it is under the current system. We have not seen any real analysis of the likely costs to local government. If it is simply another line item on a rate notice, that would need to be built into the modelling work that is done. We would certainly like to see the results of that, to see how much administrative burden it might impose.

Mr STEVE WHAN: Currently local government contributes \$79 million. For your proposal to work would you expect that to be passed back to ratepayers as a saving on rates?

Ms McCREDIE: Yes, certainly they are not incurring that expense, and that should result in a reduction in rates. The insurance company not incurring that expense, should reduce insurance premiums. It is the same issue, except the only additional thing is that local councils certainly flagged that there may be an administrative cost. We have not seen the details.

Mr STEVE WHAN: Evidence from a group of local councils was that they could find lots of other things to spend the money on. If that were the attitude of local government—to keep the money and spend it on something else—would that change your position?

Ms McCREDIE: It would have to be on a local-council-by-local-council basis. They would need to provide some pretty strong evidence to their ratepayers about that. I am sure some councils may be able to convince people that there are very legitimate areas on which to spend their money. I am sure ratepayers, and certainly our members, would like the opportunity to see that. The expectation certainly is that if local councils do not have to fund that 13.3 per cent, it is money that they should pass on to ratepayers.

CHAIR: Would your Association consider concessions or exemptions to the rate based levy that you have advocated?

Ms McCREDIE: Certainly pensioners and low-income areas have been considered. We have not considered that in depth, but it is generally accepted that it should be looked at. Another area we addressed in our submission is non-rated land. The association has a concern that those people should contribute in some way to the services that they receive. That goes to the terms of this inquiry; those that benefit from the service should pay. We have listed a number of ways that a number of those, whether State forests, national parks, police stations and other services, could contribute to the funding.

Mr JOHN TURNER: Are you convinced that your 13,000 members would be aware that if we go to a property-based tax all their land will be affected? Not to put too fine a point on it, because I represent a country electorate, there is now a septic tank inspection fee. I get a lot of complaints from people having to pay a fee on a dunny in the middle of nowhere that services a couple of workmen. There may be scrubby country about which the farmer does not give damn whether it is burnt out or not. Are you confident that your members fully understand the ramifications of the property-based tax?

Ms McCREDIE: I am certainly not going to speak on behalf of 13,000 people. The information we had was that moving to this system is more likely to reduce the burden on those people who are currently fully insured. They are the sorts of things we would want to see. I understand the modelling work is starting. It is exactly that information we need to get out of it. Let us look at the burden and if it seems that strange numbers are coming out of the modelling and people who have large land-holdings seem to be paying a very substantial proportion, we would need to have a look at what is causing that. Perhaps we would need to make some judgments about whether there are different zones or different levels of levy that need to apply.

CHAIR: Your submission has proposed that levy contributions should be lower in areas where there are bushfire brigades. The Association has suggested that the rate should be 50 per cent lower in those areas. Are you proposing that the reductions apply only in rural areas?

Ms McCREDIE: It is a combination of things. The basic policy principle is that the levy needs to be across all rate holders. The second policy area is that there needs to be recognition that people provide support to the fire brigades and, therefore, that is a specific area itself. I do not think they are mutually exclusive; it is not saying that only those people who support a fire brigade should get a 50 per cent reduction. It is saying that that factor needs to be taken into account, but there may be a whole range of other areas and other people that, likewise, contribute in some way or have different service expectations because of where they live. And that should be factored into varying prices.

Mr STEVE WHAN: The counter argument to that is that you should discount the people who do not have a brigade, because they do not get the service.

Ms McCREDIE: Certainly, but that is where there is absolutely no brigade. We would need to see where people are and are not getting a service. This is particularly where you are funding a brigade that you are manning yourself, you are often fund-raising to purchase equipment, and on top of that you are expected to pay exactly the same as everyone else. That is the particular issue that is addressed by the 50 per cent reduction.

CHAIR: What about brigades and communities outside the metropolitan areas?

Ms McCREDIE: It is a factor that must be taken into account. We have not been able to get a very good handle so far on the number of people and where they are in terms of the contribution to those particular fire brigades. Again, I hope that comes out of the modelling work.

CHAIR: Who would you suggest should administer the discounts for volunteers? Should New South Wales Farmers' Association take a role in the administration?

Ms McCREDIE: We would not advocate that. If it is for a rate-based system, a member of the local brigade may be asked to provide proof when paying rates. That may be sufficient. I assume that the Rural Fire Service and the association have lists of volunteers, so there could be some matching in that area. We do not have that information, so we would not be in a position to help out.

CHAIR: Thank you very much for your time.

(The witness withdrew)

(Luncheon adjournment)

ALAN JOHN SMITH, Executive Member, Local Government Association of New South Wales, 215-217 Clarence Street, Sydney,

ROBERT DUDLEY CHRISTIE GLEDHILL, Vice President, Shires Association of New South Wales, 215-217 Clarence Street, Sydney, and

SHAUN McBRIDE, Senior Policy Officer, Local Government Association of New South Wales and the Shires Association of New South Wales, 215-217 Clarence Street, Sydney, sworn and examined:

CHAIR: The committee has received a submission from you. Do you wish it to be part of the evidence today?

Mr McBRIDE: Yes.

CHAIR: Would you care to make an opening statement?

Mr McBRIDE: Our position is summed up well in the submission. We have previously had discussions with Treasury and various government agencies and Ministers in relation to our discussion paper, which was launched earlier this year and circulated to all councils. The proposals and recommendations in that submission and in the discussion paper have received strong support from councils across New South Wales. A number have made formal responses, so the document reflects the view of the majority of councils. There is broad agreement on the general principles and the type of model we have put forward. Of course, there are differing views on detail and technicalities, many of which cannot be commented upon at length until details of the new system are thrashed out. Many of our members give qualified support because although they support the model in principle they would like some idea of the numbers—that is, the financial impact. We are aware that modelling is being undertaken to provide that information. We were not in a position to undertake the modelling. We look forward to seeing the results. The document has the widespread support of local government and is representative of the views of councils.

CHAIR: Are there any other opening statements?

Mr GLEDHILL: The Local Government Association of New South Wales and the Shires Association of New South Wales have held conferences around the State. I was lucky enough to chair sessions on this issue. It was clear at those meetings that people were prepared for change. Some years ago that may not have been the case. However, it was clear that they were prepared for and were accepting of change.

CHAIR: Why did the Associations join the Alliance for the Equitable Funding of Fire Services?

Mr SMITH: Because we received a letter from the Minister stating that he would look at this proposal if we had the insurance companies on side. When we contacted them and put the proposal to them they said yes.

CHAIR: Who was the Minister?

Mr SMITH: Minister Debus.

Mr GLEDHILL: In more recent times in discussions with Minister Kelly it has been made clear that he wants to see us working with the insurance companies, not against them.

Mr McBRIDE: It was clear that no changes to the current system would be considered unless there was general consensus between local government and the insurance industry.

CHAIR: What are your main concerns about current funding arrangements for fire services in New South Wales that are making you look at this change?

Mr GLEDHILL: The unfairness of those arrangements. We have been working on this for about three years. There are people who are not fully insured and there are people who are insured offshore. They pay nothing towards the Rural Fire Service or the New South Wales Fire Brigades, yet they expect the same sort of service as someone who is fully insured. When we have done the numbers right through we have established that, if this system were used, the insurance premiums of anybody who fully insures should drop. Anyone who does not insure will have to pay towards the cost of the Rural Fire Service and the New South Wales Fire Brigades.

CHAIR: What evidence do you have that shows that anyone is insuring offshore, or they are underinsured? Who are they? What evidence do you have to show that people are doing that?

Mr GLEDHILL: We took the word of the insurance companies on that. Referring to people who are uninsured, you have only to go back to the fires in the Australian Capital Territory. How many people in those homes were not insured, yet they still got the same cover as people in the house next door who were probably fully insured and who were paying a levy.

Mr SMITH: There are also the issues of equity and transparency. At present the system is not necessarily equitable across the board by having an insurance base. The system also is not transparent. A lot of people are not aware of what is going on in relation to the funding of the fire services. There are better ways of doing it. I was lucky enough to have a property in Queensland and to be a participant in the system in Queensland where the fire levy, for want of a better word, or tax, was placed on my rates notice. It was clear that it was for the fire service and it was clear who put it on there and where that money was to go. Every person who has a property pays that levy. It is a much more transparent process. At least in Queensland it is more accepted by the general population.

CHAIR: If there are no buildings on a property in Queensland, how would people value the insurance risk when there is nothing to insure against other than grass?

Mr SMITH: I am not sure how they do it in Queensland, but from my experience after having been part of the fire service for some years, grass still burns. If it burns you have to put it out and a cost is still borne by the community. If the community bears the cost you have to contribute towards that cost.

Mr TORBAY: I refer to the issue of underinsurance. We have heard a lot of evidence on this matter. No-one seems to be able to provide us with the correct figures. Everyone goes back to what the insurance companies have said. We have not been given any data that we can confirm. We heard evidence this morning from the commissioners who said that they estimated the level of people who were not insuring to be as low as 5 per cent. The insurance industry estimated that figure to be 25 per cent, which represents a substantial difference. Obviously it is central to this inquiry to obtain an accurate figure. A review that was conducted in Victoria showed that that figure was well under 10 per cent. What do you have to say about that?

Mr SMITH: Of people who are underinsured?

Mr TORBAY: Those who do not insure are fewer than 6 per cent. Insurance companies are saying that 25 per cent of people are not insuring or, in other words, they are not contributing to the fire service levy. We heard evidence this morning to the effect that the figure is as low as 5 per cent.

Mr GLEDHILL: I do not have figures or anything like that. However, I am aware of the last major fire down south that burned from Boorowa almost to Moss Vale. Moss Vale was on alert. A large number of people could not afford to put up fences after those fires. I had no trouble putting up fences because my fences were insured. Those who were not able to re-fence their properties had to be underinsured. I pay a levy on my policy so that I am able to get money to re-fence my property. Money that came from Sydney was given to people who never had their fences or their stock insured to enable them to put up fences and to repurchase stock. I cannot give you figures on that but I assume that an insurance company would be able to do so.

Mr McBRIDE: We were aware, after our deliberations on the matter, that the insurance industry estimates were probably on the high side. We took a more conservative view in the absence of data to the contrary. Our estimates were based on much more conservative figures. We are also

aware of the findings of the Victorian review. We believe that its figures were a little on the low side. As a result of anecdotal evidence that we have, for example, from Rob and from reports from the Canberra fires and so on, we expect the true figures to be somewhere in between. But there is still a significant level of underinsurance. We are certainly not in a position, as we do not have the data available, to put a hard figure on that. It would be hard to ascertain that figure.

Mr TORBAY: It is proving difficult.

Mr McBRIDE: It is proving difficult. It would be particularly difficult when we were talking about contents. People choose to take the risk not to insure if their contents are worth only a few thousand dollars. When it comes to overseas insurance, we have put this question to many people and many of them say that it is virtually impossible to quantify. Again we are aware from our experience that many large companies have global insurance policies that are not taken out in Australia. Large American companies would have a global policy covering all their operations internationally. That would not be in Australia or in New South Wales; it would be in New York or Boston. When we talk about overseas insurance we are probably talking about large multinational organisations, of which there are many in Sydney and in New South Wales. But again we cannot put a figure on that. I think it would be reasonable to suspect that it is significant.

Mr SMITH: Whatever the percentages may or may not be, it still comes back to the principle: What is wrong with the principle of transparency and equity in relation to the delivery of moneys to the New South Wales Treasury for the funding of a vital service within our community whereby that service or those services can make their bid on an annual basis for the funding they require to operate their services?

Mr McBRIDE: I think we should also qualify at this point that the preference of the Association and its members probably has always been that we think fire services should be funded by consolidated revenue. That had been our position for many years, and it probably remains our underlying position. However, we are also realistic, and over many years of having that argument run against a brick wall we realised that that was not going to happen.

CHAIR: Would you outline in a little more detail how you reached your unified view, which forms part of your submission?

Mr McBRIDE: The framework of the model—we never put it forward as a prescriptive model but as a framework, a starting point—was based on reviewing the systems that were being implemented in other States of Australia. I think you will probably recognise that the framework we have presented bears a lot in common with the West Australian framework that has recently been implemented. Having reviewed all the models in Australia, the West Australian framework is probably a refinement built on the experience of, first, Queensland, then South Australia, who had some difficulties in the way they implemented it. The West Australian example is clearly a refinement and improvement on those models.

CHAIR: Did you send out letters to each council?

Mr McBRIDE: We put together a discussion paper, which was circulated to all councils. Councils were invited to make written submissions. I think around 70 councils formally responded to that. It was also presented at conferences and so on.

Mr SMITH: In relation to the return, given the number of councils in New South Wales and the surveys we normally send out, that is a very high response rate, so it shows high interest.

Mr JOHN TURNER: This morning the committee heard evidence from the New South Wales Fire Brigades that they had prepared some figures. They stated that if we move to the property levy, potentially it could cost \$13.55 million for councils to collect the property levy. Do you have any comment to make on that? They say it currently costs \$250,000 for the levy to come from the insurance companies to Treasury.

Mr McBRIDE: We have noted from the submission, and probably from previous correspondence with the Government over the years, that the existing system is certainly

administratively efficient from an agency point of view, and that the collection work is being undertaken by insurance and local government because local government's contribution is basically included in the rates at present, although it is not distinguished as a separate item on individual properties.

We have already acknowledged the current system. We could see why governments would find the current system attractive, firstly because of its administrative simplicity from the government's point of view. At the same time, we could also see it was attractive to governments to maintain the existing system because of the lack of transparency that Alan has referred to, in that many people were not highly conscious of the amount they were paying for their fire services. Most people would not be aware that part of their rates is actually paying for fire services, and many people do not read their insurance policies in detail; often that they simply send off the bill or have direct debit payments and do not even look at the notices.

This led to another problem, the lack of transparency. It was very easy for increases to be slipped through without the normal scrutiny that would apply to other government agencies who have to go through the traditional budget allocation process.

Mr RICHARD TORBAY: Are you not saying that the system is administratively efficient? Could you not make it more transparent and target those who are not paying at the moment, and simply impose some sort of a fee, such as a Medicare fee? Are you saying you need to improve the system and make it transparent, or that you need to look at a whole new system?

Mr McBRIDE: Certainly one of our objectives is transparency, because that is one of the big problems under the current system. We are not sure what scope there is for tinkering at the edges to capture more people. I think the Victorians have flagged that as a potential option.

Mr SMITH: At the present time, with the ordinary ratepayer or taxpayer doing the right thing, they pay their rates to local government, and a percentage of that rate goes to the fire service. They pay their insurance, and a percentage of the insurance levy that is picked up goes to the fire service. A State charge is placed upon that in the form of stamp duty, and also GST. I know that is not part of the process, but I am simply saying that the community are not aware of that because it is not transparent, and it is also not equitable for the broad cross-section of the community.

There are probably lots of other ways of doing it, but the simplest has been, like the reforms that happened in Queensland, where it moved to another process, where it was a once-only payment paid upon the rates. There are other processes that could be involved as well, such as vehicle registration and things like that, because about 15 per cent of the fire services are now within motor vehicle operations.

But the simplest and most effective way to be transparent is by getting the majority of the population, including government and non-government organisations such as councils, to pay something towards a service that is so vital, and to have it under a new system. This system, even though it may be simple for some, has no equity base; it is not equitable.

CHAIR: You would support government buildings also being charged a levy?

Mr SMITH: Yes.

Mr GLEDHILL: We have said this needed to apply to every piece of ground across New South Wales, and that would be fair. As to the second part of your question, relating to the amount of money that the New South Wales Fire Brigades said it would take to collect that, we have said that we believe local government would need 4 to 5 per cent of whatever the return was. If the figure you quoted is worked out at 4 to 5 per cent, it will bring in a huge amount of money overall.

Local government was not in it to make money. We worked out at 4 to 5 per cent. We had to put in some sort of figure, and we felt that was what we would need as a collection fee that would cover our costs. Probably all this came about when the Minister had a working party looking at the financial side of it. On that, we asked Commissioner Koperberg why he could not peg his budget to rate pegging, the same as we were—instead of hitting us with a rise of 13 per cent, which we got last

year, yet we were only allowed a rate pegging of 3.5 per cent—and he told us that would be impossible. If that had been possible, none of this would have been needed. But it is the fact that the budget for the Rural Fire Service keeps escalating, and as far as we are concerned nobody is answerable to it. That is why we have put this proposal forward.

WARREN IRVINE TAYLOR, Deputy Director, Strategic Services, Local Government and Shires Association of New South Wales, 215 Clarence Street, Sydney, sworn and examined:

Mr STEVE WHAN: Just a quick question following up on the last comment. Previous evidence we have suggests that councils can apply for an exemption from rate pegging with the fire services levy as one of the options, but that not many have done that. Are you aware of that?

Mr GLEDHILL: We are all aware of that and we feel for our ratepayers. Why should we apply to have rates raised 11 and 12 per cent to cover that?

Mr STEVE WHAN: Presumably you would not need to increase them by 11 or 12 per cent overall.

Mr GLEDHILL: Yes, righto, we would need to probably put another 2 per cent on our rates. We just think that is unfair.

Mr STEVE WHAN: A number of witnesses we have had so far have talked about how they would expect that if we introduced a property-based system that local government would then reduce its rates commensurate with the amount of money which it is currently putting into the fire service levy. Would that be your understanding as well?

Mr GLEDHILL: That would be a fair comment, but that will be up to each council to make that decision themselves. We could not speak for all councils but, speaking for my own council, yes, I would assume we would, the same as we would expect insurance premiums to fall.

Mr STEVE WHAN: I noticed in your submission that you would expect them to do that.

Mr SMITH: I must say as well though that you would be aware that in New South Wales there has been a government imposed rate pegging for 25 years, and infrastructure that is in local government areas is at an all-time low in relation to asset maintenance and all the other bits and pieces that are required within communities. So there is a lot of pressure applied. That is why we say that it would have to be based on the individual councils, but let us be honest.

Mr TAYLOR: But councils would still be contributing—as any other property owner—based on the valuation of the land that the councils hold.

Mr STEVE WHAN: Do you have an estimate of what the balance of that would be, whether it is in terms of that contribution through a property-based contribution versus the current position?

Mr TAYLOR: The association has not had the facilities to do a fully blown financial model on it.

Mr McBRIDE: It would be probably significantly less than the current contribution, but it has not been measured as such, and it would vary from council to council depending on their property holdings.

Mr STEVE WHAN: The Rural Fire Service also estimated on the basis of transferring the assets, which currently council maintains, and the cost of the long term maintenance of those—I think it was a guesstimate more than anything—of about \$20 million per year. That suggests that there is potentially quite a bit of extra cost which would have to be collected by Government to actually keep the same level of service or the same level of expenditure on fire services. Do you think that that is a fair situation?

Mr SMITH: No, I do not, because at the present time with the service delivery models that we have through the Rural Fire Service, the service delivery model is slightly different in each council. There is a base model that they put out but they can be quite different in that a council like Dubbo City Council may ask for a higher service level from the Rural Fire Service and achieve that now than what some other councils may be asking. So it would be a very long bow to say that it is going to cost that amount of money, because as part of the service delivery processes councils may deliver things to the Rural Fire Service, which they do at the present time, which are not necessarily in

money terms but in building terms and other things that are not necessarily part of the property of the Rural Fire Service and never would become part of the property of the Rural Fire Service.

Mr STEVE WHAN: But if the Rural Fire Service, I think as you said in your submission, took control of the ownership of the assets and infrastructure, they would certainly incur a fairly substantial cost, which I acknowledge that councils are currently taking on.

Mr TAYLOR: The firefighting fund reimburses councils for the expenses they have met in maintaining the fire equipment. So in the full equation the Government is already meeting those costs of maintaining the assets that are devoted to firefighting. So I would suggest it is not going to change.

Mr STEVE WHAN: The broader point there though of the \$70 million of local government contributions, the cost of collecting the new levy, an estimate we had this morning was that it could be around about \$100 million in additional funding that the Government would have to collect in some way to actually continue the same levels of funding. So if, for instance, they make up the 13.3 per cent contribution from local government plus the administration, does that seem to be fair on ratepayers, to you, to put that additional cost on them?

Mr SMITH: But there is no initial cost. If local government is paying the 13.3 per cent or 13 per cent the ratepayers are paying it. The local government does not own any money, it is just transferred from within the general rate base that they would have to pay to a property-based provision which would be a one only payment. It is a lot more transparent.

Mr STEVE WHAN: That assumes that that amount of money is taken off the rates. That goes back to the point I made earlier on that if there is no guarantee that that is taken off the rates then the Government cannot vary the rate to suit, depending on whether a council has decided not to pass on the saving.

Mr SMITH: And that, of course, depends on the modelling between collections under the two systems. I am a strong believer—it is only anecdotal evidence—that the collection, the pool of money would be greater through a property-based system over an insurance-based system. So the pool of money that the Government would have within Treasury for the insurance for the fire services to make their bids on would be a greater amount of money collected from the populous because you are collecting from people who do not pay at the present time.

Mr STEVE WHAN: As I understand that, the current way of doing it is that an amount is set each year and the rate set on insurance is based on the amount that is designed to be collected. Presumably, if we did it the same way then there would not be an extra pool of money there. Are you suggesting that you may get a flat rate and that therefore you collect some more money out of it?

Mr SMITH: I just think under property collection processes where there is more equity in the distribution of people who pay, the opportunity for everyone to contribute and make a larger pool of money is greater.

Mr JOHN TURNER: From what Mr Whan was saying, this is supposed to be, in our terms of reference, cost neutral. I do not think the idea is to create more money, it is if we need \$400 million this year then it might be setting a rate of 1.5 per cent this year and 1.3 per cent next year.

Mr SMITH: What I am saying is, to achieve the pool of money required, because more people are paying into it I do not think people would be paying more, there is a better opportunity for people to be paying less.

Mr RICHARD TORBAY: If local government is collecting this, who is responsible for bad debts? How does that work?

Mr GLEDHILL: That was the bit we did not want to have anything to do with.

Mr RICHARD TORBAY: I noticed that in your submission.

Mr GLEDHILL: These are little things that need to be worked out, but if we have got a person who does not pay their rates at the moment, in five years we can then sell up the property. That is okay, this could be added to that. But what the problem there is that if they pay \$100 off the five-year rates that are outstanding we have got to then roll them on for another 12 months. That could continue on for ever. I think we have thrown that in there that this Committee, if it were to accept this, you then say, "Righto, now someone else needs to sit down and work out what we do there", and that is identical to the question you asked me a minute ago, that I believe this committee could recommend, if they accepted this, "Righto, now we need to have a guarantee that insurance policies will drop and that the amount of money that councils collected last year is reimbursed to the ratepayers in next year's rates". I do not think you would find you would have a council that would not be happy with that.

CHAIR: You alluded earlier to the fact that the Local Government Association has changed its view over the years. Initially, the Association was supportive of the current arrangements but it now proposes to collect a property levy on behalf of the State Government. What was the impetus for the change?

Mr McBRIDE: I just want to clarify that. We have never supported the current arrangement. It has been a bone of contention for many years. What we said earlier is that the Association's original position, which had stood for many years, was that we believed that fire services generally should be funded from consolidated revenue like other services.

Ms GLADYS BEREJIKLIAN: Can you please explain under your proposed model how you would treat currently non-rateable land? How do you propose to incorporate that in your model?

Mr McBRIDE: Most of it would need to be valued, as has happened in Western Australia and so on. When we talk about buildings, they might be schools, churches or hospitals. At present, although they are unrateable, they would still be paying fire levies through their insurance. They would mostly be insured buildings. They would need to be encapsulated in the levy process. That would involve an exercise of running a valuation on those properties, which is certainly not beyond the capabilities of the Valuer-General.

Ms GLADYS BEREJIKLIAN: So you are saying that the State Government, over and above what it pays currently, should pay the levy for those properties that are currently non-rateable, is that right?

Mr McBRIDE: If they were Government-owned properties, yes.

Ms GLADYS BEREJIKLIAN: Otherwise you expect churches to contribute. Under your proposed model you suggest those bodies that currently do not contribute should do so?

Mr McBRIDE: They would currently contribute to fire service funding through their insurance levies but not through rates, that is correct.

Ms GLADYS BEREJIKLIAN: And you are saying they should?

Mr McBRIDE: Yes.

CHAIR: The Committee has been told that many councils contribute more than they are required to for their local fire services, especially rural fire services, which are an integral part of many communities. Do you think that by removing the levy, local councils may lower voluntary contributions and, therefore, lower service levels?

Mr SMITH: No, not in the slightest. I believe that the community's commitment, especially from local government to their rural fire services, is very high and that is why I spoke earlier about the service delivery processes, which are often not in direct fire-type contributions; they could be the use of buildings. They are often the use of plant and equipment, which I do not believe would diminish in any way, shape or form. I might add that New South Wales Fire Brigades has not been that close to local government for many years, but whenever there is a requirement—from my experience in my

area—for local government commitment to the New South Wales Fire Brigades, whatever they have asked for, they have got, without any qualms.

CHAIR: Would you agree that the community's support for fire services is more from its sense of community and community needs rather than any particular funding mechanism that might apply?

Mr GLEDHILL: I think the community has an expectation and they see local government, and the support local government gives, as very positive. Those copping most of the flak from the community at the moment is the Rural Fire Service because of the lack of equipment. They fully understand that council's hands are tied with the funding that we can put in because of rate pegging. I am talking about country councils here because things are a lot different with country councils to those in the city. We have to do certain things and our hands are tied. Rate pegging is the thing that has created the whole problem right from the word go—not so much rate pegging, because I agree with rate pegging personally, but the fact that the Rural Fire Service was not hooked in with rate pegging.

Mr SMITH: I believe that there is an expectation in the community that is probably outside funding—and again I speak more broadly in the rural areas—that they cannot have improved services without some cost and some contribution. I keep coming back to this because I have had many conversations with a lot of people. What irks them the most is that they are paying and someone else is not. That really irks them, or if someone is not contributing equally, not necessarily in dollar terms but equally in their capacity to deliver.

Mr STEVE WHAN: One can debate the sort of model for collection and whether the rate is based on unimproved capital value of a property or some risk assessment is built into the process. You have referred to capacity to pay. Obviously, working on straight unimproved capital value is the easiest model. What sort of model are you looking at to assess the amount?

Mr McBRIDE: We have given New South Wales' users an unimproved capital value system for other valuation purposes. Although we recognise that that is probably less than ideal from a fire services funding point of view—as it might be for other purposes as well—we had not proposed changing that approach because we were satisfied that there is a reasonably strong correlation between the unimproved land values and the value of the types of property on it. It is not a perfect fit, of course, but there tends to be that correlation. While recognising it was imperfect, we had not proposed to change to a different valuation basis. Western Australian uses a gross rental value system, which would assign a much higher value to a block of land with a building on it, which has a rental value, than a vacant block, which is very much the same as a capital valuation. Probably that would theoretically be better for the purpose, however, it would be probably costly to run two valuation systems in New South Wales.

Mr SMITH: You talked about people's capacity to pay. I have always believed what can be built into the system is an expectation component or a risk component so, as well as that, decisions could be made through the fire service, with local communities, in relation to their expectation and service delivery and what they were prepared to pay for. Of course, some places in our community would be prepared to pay for a higher service delivery with higher expectations and that becomes more costly, so it could be borne by those people who want it.

Mr STEVE WHAN: It concerns me that when we talk about fairness you may end up with people with considerable property, but without a lot of earning capacity, paying quite a lot more than people who have a small amount of land but have substantially higher value use of that land.

Mr SMITH: If they have a lot of property at the present time and they insure that property, aren't they paying a lot more as well and not getting much income from it?

Mr STEVE WHAN: I would assume that the insurance company would have a different rate for a land-holder to somebody with a commercial use on a smaller block in town, such as an office block?

Mr GLEDHILL: I had hoped we had covered that by saying that there would have to be a minimum and a maximum rate. A lot of work still needs to be done on this if it is accepted. It was no good wasting a heap of money now. This is just the bare proposal and it was no good wasting money if it is going to be rejected, but, yes, if it is accepted, there are a lot of things that can be worked out. I honestly think that if it were accepted, a lot of other States in Australia would change their systems and come over to this one. That is how good a system I think it is.

Mr JOHN TURNER: On the contrary, the New South Wales Fire Brigades Employees Union has a different view after a rigorous financial examination and scientific approach. It believes that the insurance companies should pay 82 per cent and the State Government 18 per cent, and you pay nothing, if the existing system was to proceed. I guess you would be happy with that, and I do not expect a comment on that.

Mr GLEDHILL: I will comment on that. I still think it would be very unfair to everybody out there. It is all right for the New South Wales Fire Brigades to say that—

Mr JOHN TURNER: No, it was the New South Wales Fire Brigades Employees Union.

Mr GLEDHILL: Sorry, the firefighters union. It is all right for them to say that but we are here to look at this for the fairness of New South Wales for the cover we get. I think that would be very unfair because, while ever you leave the insurance premiums and the fire levy in there, it is unfair.

Mr JOHN TURNER: They did qualify it, and they explained how they arrived at that figure. They believe there was some equity in the sense that you have to insure your assets now so you are actually paying a fire service levy and a levy through the rates. They saw that as inequitable and it is one of the reasons they arrived at those figures.

Mr McBRIDE: The question of equity would be best dealt with through funding via consolidated revenue. That is probably the most equitable way of funding any government service.

Mr STEVE WHAN: That is somewhat outside our terms of reference.

CHAIR: What is your view with regard to putting a levy on motor vehicles?

Mr SMITH: If you look in our submission, it does mention that. I have a strong view. As I said earlier, for some years I was a member of the New South Wales Fire Brigades and I now no longer am as a retained firefighter. A large percentage—in our report it says 15 per cent, and that varies slightly from station to station, highways and things like that—of the time I was a firefighter was motor vehicles, either motor vehicle fires, motor vehicle accidents, caravans, boats, motorbikes. I would be fully supportive of a system that puts some small charge onto registration.

CHAIR: Should that charge increase depending on the size of the vehicle, and should it be collected through compulsory third party green slips or through the Roads and Traffic Authority [RTA]?

Mr SMITH: I believe—again, this is my own view—it should be through registration, through the RTA.

CHAIR: And an increase if it is a truck compared to a car?

Mr SMITH: I have not given it a lot of thought but it gives you the possibility to build higher risk factors into the amount of money that is paid as a flat amount.

Mr GLEDHILL: I would be the opposite to that and say a flat levy across everything that is registered. If it is \$3, every registration label that goes out carries that \$3 on it. As to whether it should be collected by the RTA or green slips, it would not matter, whatever was the easiest.

Mr McBRIDE: But there is not a councilwide view.

CHAIR: You mentioned rate pegging, which has been an issue for councils. If there was some sort of change in the current system where fire budgets were not much higher than rate pegging or limited to the rate pegging, would you be supportive of those changes and, therefore, see no need to go to a property-based system?

Mr SMITH: Personally, if there was no change, I would like to see that. But I personally do not back away from the principles that we are putting forward here, which are about transparency and equity. While ever we remain with the system, no matter how much you doctor it, you do not have full transparency and you do not have genuine equity in relation to how people pay, then allowing the departments to go off to Treasury and make their submissions and get their budget allocations based on how good an argument they put forward. I think if you are going to live by that regime I have to say that you cannot tinker at the edges. You have to take it or leave it.

Mr JOHN TURNER: Naturally, the Rural Fire Service evolved through the councils over a period of time, and it has now got to the stage where we know where it is at. There seems to be an anomaly between the evidence we heard this morning from Commissioner Koperberg and the Rural Fire Service Association, which wants to maintain the existing system, and the local councils, which are the fathers and mothers of the Rural Fire Service. Is there any reason, or do you have any knowledge as to why, the members of the Rural Fire Service Association—I appreciate there is a difference; not all members of the Rural Fire Service are members of the association—want to go the other way? You are advocating a property levy; the others want to keep the status quo.

Mr GLEDHILL: My personal opinion is they go for that because I think the way it is at the moment the Rural Fire Service budget can keep on going through the roof and it answers to no-one. If you bring this other way in, I believe the Rural Fire Service will be answerable because of the amount of dollars we are raising through this rate. If the Rural Fire Service budget keeps going through the roof and we have to keep raising the levy, the ratepayers in the State will say, "Hang on".

CHAIR: Any other comments?

Mr SMITH: I just see that perhaps part of it is history for those people as well. We have had such good working relationships over the years but time has moved on. The connections that were so great many years ago are not as great now for many reasons, and a lot of those are operational reasons that have happened in more recent times. With such large fires they have had to change operations and control patterns. They are now a government department when they were not many years ago, and I think some of those views are basically hangovers from the way it used to be. Although they like the new system, they like the old system as well. Fortunately our ties to those services have stood strong but they are not the same sort of ties we had in the past.

(The witnesses withdrew)

HUGH McMASTER, Government and Commercial Services Manager, New South Wales Road Transport Association, level 4, 162 Goulburn Street Darlinghurst, sworn and examined:

CHAIR: Will you please outline the Associations' main concerns with fire services in New South Wales?

Mr McMASTER: We think that the present arrangements rely too heavily on the insurance sector or raising money through the insurance industry. We believe that leads to a number of concerns. The first is, not every property owner has insurance cover. The second is that that fact distorts the levy that is paid by those of us who do have insurance, and means that property owners who are not insured benefit from a service that they do not contribute to. It is our view that we need a system that tries to strike the right balance between being simple, being fair, being universal and providing some security and appropriate accountability, so we can move forward with a set of arrangements that will give the broad community greater confidence.

CHAIR: Can you explain to the Committee a bit about the Association?

Mr McMASTER: Certainly. The Association is an association of road transport operators. It was formed in 1890, so we are a very old organisation. We represent employers in the industry, from the largest companies in the country right through to single owner-drivers. We represent operators based in rural areas and urban areas, and across a broad range of road freight tasks. We are the largest road transport organisation in Australia in membership.

CHAIR: Has the Association had some conferences or debates about this particular issue and, if it has, does it support a levy for motor vehicles?

Mr McMASTER: We were advised of this inquiry and asked to appear at fairly short notice. The matter was considered at a meeting of the Association's executive yesterday. The Association is of the view that it does not support a levy on motor vehicles. The reasons for that are that motor vehicle owners already pay a wide range of taxes and charges to governments at various levels. The major benefit accruing to the industry from that is road funding but the amount of expenditure on roads from the Commonwealth and State governments—and I am talking here across all jurisdictions nationally—is less than one-third of the total amount collected in taxes and charges by those governments. We also think it will add to the complexity of the funding arrangements. We also think that one of the important elements of the newer funding arrangements is that it should be a risk-based model and we see difficulties with trying to find an objective measure of risk for the range of motor vehicles that are on New South Wales roads.

CHAIR: If you looked at a simplistic risk-based model or work model of the fire services, we just heard from the Local Government Association and experienced fire services from that, and they say that around 15 per cent of the work of the fire brigades is on motor vehicles and other road-based incidents. Would you not think then that road users should contribute around 15 per cent of the cost?

Mr McMASTER: I think in principle it makes sense, because that is part of a sound, if you like, equity-based argument. The preferred approach we would favour would be one where there is a levy on property owners that is determined through this Parliament and which will be sufficient to finance all fire brigade services statewide and for that levy to be collected by local government through rates. We see that as being a system that will cover most of the likely events where fire services will be required. We also think that it covers a wide range of New South Wales residents. It recognises the issue of the ability to pay, particularly if the levy is based on land valuation as determined through the normal process for rates, so that we have a set percentage as a levy of rateable value of the land as being the basis of the levy to fund the services. We think that is a system that would be simple, fair and broadly based, and very difficult to avoid.

CHAIR: So, you are saying that landowners should subsidise road users?

Mr McMASTER: Landowners often are road users, for a start. Not always, because there are people who own vehicles who do not own land. It may be a little bit the other way, but not much.

Certainly as far as the road transport industry is concerned it would make little difference, because after all they are in business and invariably to be part of that business they would need to own property as well as vehicles.

CHAIR: At the moment the current system encapsulates a number of different target groups. Most buildings are insured, at least 75 per cent of contents are insured, so whether you own land or only rent, you are pretty much caught up in the current system.

Mr McMASTER: Sure.

CHAIR: If we go to a property-based system, that would only attract landowners and not renters, and a significant part of our population rent premises and they will not be contributing at all to the fire service levy unless a fee was imposed on the use of motor vehicles. Would you not think it would be unfair just, I suppose, to tax land owners even though a significant other group would be getting the benefit of that tax?

Mr McMASTER: I agree that is a problem with our proposal, but everything relies on compromise and, as in most areas of public policy, the challenge that faces legislators like yourselves is how do we make a system to collect revenue to fund the provision of a service both fair and simple. That is where we draw the line. But we cannot deny that having a levy that is as narrowly based as we are proposing has some disadvantages. That is quite true.

Mr PAUL McLEAY: One of the alternatives we have discussed is a levy on vehicles. Although you say you support a levy just on properties, if we were to bring in a levy on vehicles, what is your view about having a graduated levy? For example, should heavy road users which may have a higher category of danger, such as petrol tankers, pay more than a small passenger vehicle?

Mr McMASTER: I think our view would be that if a levy was imposed on motor vehicle owners then it should be a flat amount for each vehicle, because it is simple. One of the problems with the alternative is you may have certain classes of vehicles that are carrying dangerous goods, not just fuel, which may require particular care in the event of a spill. But, at the end of the day, all vehicles carry some fuel and there is a risk of that fuel spilling in the event of an accident and, therefore, the possibility of the fire brigade being called out.

Another possible basis is to say that certain classes of vehicle travel more than do others. People who live in urban areas tend to travel less than people who live in rural areas. Road transport operators are much the same. A courier driver in Sydney would not do as many kilometres per year as an interstate operator based in, say, Dubbo. Somebody based on the border may do a lot of their travelling across the border rather than in New South Wales. There are lots of complexities that could make it quite unfair. We would favour a simple system of a flat amount on each vehicle should it be the Committee's view that the levy on motor vehicles is appropriate.

CHAIR: If the Committee recommended a levy on motor vehicles, should it be collected through the registration process or through comprehensive third party [CTP] green slips?

Mr McMASTER: I do not think it would matter much either way because both of them need to be paid by each vehicle owner. The most important thing, in our view, would be to have something that is simple and broadly based.

(The witness withdrew)

ROSEMARY SUSAN STREETER, Deputy Executive Director, New South Wales Minerals Council, 59 Goulburn Street, Sydney, affirmed and examined:

CHAIR: The committee has received a submission from the Minerals Council. Do you wish it to be part of the sworn evidence?

Ms STREETER: Yes.

CHAIR: Would you care to make an opening statement?

Ms STREETER: The mining industry has been concerned about this issue for a long time. We have a concern with the current system—I am happy to go into detail later—because we are required under statute to maintain a Mines Rescue Service that performs emergency and rescue services on our mine sites. Because of the structure of the current system, our mines pay very large amounts of money for insurance policies. Given the nature of the operations our organisations conduct our insurance policies are stringent and very expensive. That is reflected in the levies we pay. We will be seeking modifications to that system. We have been part of the Alliance coordinated by the Insurance Council of Australia that has proposed that the system be changed. We support that submission and I am here to provide supplementary comments on the specific issues for the mining industry.

CHAIR: Do you want to make those comments now?

Ms STREETER: I will provide a couple of examples. The compulsory Mines Rescue Service is funded by the coal industry in New South Wales. We are required to maintain brigade operations in the three coalfields in New South Wales—the northern coalfield, the western coalfield around Lithgow and the southern coalfield around the Illawarra. People are on standby and we supply the funds for their wages and equipment. In addition, each mine is required to have about 5 per cent of its employees permanently fully trained to respond to an emergency on site.

Our mines are not always very close to urban centres, and when there is an emergency the response is usually required very quickly. In addition to funding the Mines Rescue Service, we also must have personnel fully qualified, fully trained and operationally ready on each site. That is a significant expense to us. I might add, we are not in any way questioning the need for that service. While the service has been reviewed, and is constantly reviewed to make sure that it operates very effectively, we do not question the need to have such a service available.

In addition, as I said, we also pay very large amounts of insurance. I would like to give you a couple of examples. I am not going to name the companies, and I hope that is acceptable to you. For example, I will give you responses we have received from two companies. The first company has indicated to us, on its records, that it pays \$466,000 per year towards the fire services levy. In addition, the company pays \$194,000 towards the Mines Rescue Service. They are very large sums of money. The second company pays \$416,000 per year towards the fire services levy, and it pays \$156,000 towards the Mines Rescue Service.

Some people have the view that the mining industry is quite a fund of, shall we say, milked cow—corporate bodies are very good to get money from. The coal industry, which is the chief sector we are speaking about here, is New South Wales' largest export earner. We pay more than \$200 million to the Government in royalties, in addition to the money we are now talking about. The profitability of the industry is very much reflected by the fact that it is an international, competitive industry. Most of our industry is in the sector of steaming coal for power generation. We export in the order of 70 per cent of our coal, which is mined.

Currently the steaming coal sector is under a very significant price squeeze, in addition to the fact that we have a very high Australian dollar. The movements in both the price and the Australian dollar, and also increasing competition from areas like China and Indonesia moving into our Asian markets, is putting the industry under very significant pressure. The amounts of money we are speaking about here are very, very significant and meaningful for our industry.

The way the industry needs to respond is to make sure that all our costs are, to the greatest extent possible, under very, very tight control. We have instituted major workplace reforms, which I know have been very painful for the Government, the employees and the companies, and we have to maintain the sorts of controls on costs to maintain the profitability of our industry into the future.

This is one sector of our cost structure which we believe needs to be reviewed. Obviously, we fully support the need for a fire service in this State. It goes without saying that it must be funded, it must be adequately funded, and it must be operational and viable. But we support the investigation of alternatives to that funding base that may be more equitable and more transparent for the whole community.

We have supported the Alliance. The Alliance has put forward a proposal that we should investigate a property-based system. We can see the benefits of that: in spreading the base, in the equity in making sure that all users contribute to procedures which they will not necessarily use but which they may conceivably need to use.

CHAIR: Is that why you joined the Alliance?

Ms STREETER: Absolutely. We have been a member of the Alliance throughout. We have worked with the council previously, back in 1994 I think it was, when this was under investigation previously. We fully support the need for the investigation to take place.

Mr PAUL McLEAY: You said the industry is paying a lot of money by way of the fire service levy, and you also have a parallel system for the rescue service. Does that mean that you do not have a potential need to use the fire service? Do your mines require the use of the New South Wales Fire Brigades or the Rural Fire Service?

Ms STREETER: Based on our statistics, those needs have been very, very rare. On occasion the Rural Fire Service has come to some of our operations—for example, if there has been a grass fire. On the other hand, when there are fire emergencies in our open-cut mines, they maintain very large water tankers for dust suppression activities; it is one of our environmental control systems. Those tankers can be made available to the fire services in emergencies, so you can say that there are some balances here. Yes, there have been some occasions when we have had the Fire Brigades come out, but those occasions are very, very rare, and they do not come to underground mines.

Mr PAUL McLEAY: Can the Fire Brigades operate within your mines?

Ms STREETER: The Fire Brigades do not operate, for example, if there is an underground emergency. Obviously, they are not banned from entering the site, but they do not operate if there is an underground emergency. We need fully trained personnel who are able to respond safely to those processes.

Mr PAUL McLEAY: They would only attend the site if there is a structure, or bush?

Ms STREETER: Yes. There are two situations which are conceivable here. If the current system were to continue, we would seek modifications to recognise the fact that we fund duplicate services, so that there could be some recognition of the industry-funded service which the government statute requires us to maintain, and of the limitations to the services which the Rural Fire Service and the Fire Brigades are able to supply to those mines. That is considering the current system.

If we go to the option of introducing a new system with a property base, believe it or not, we also have some concerns with that. We believe that it will be very critical to see the modelling outcomes to consider what the actual implications will be. The explanation for our concerns with this process is, firstly, we still maintain our own rescue service. That issue remains within the coal brigades.

In addition, when we are operating our open-cut mines we have consent conditions placed upon us by Government which essentially say, "You control the area of your mining lease." In essence, we purchased those properties. But in addition, we have consent conditions which state that there is a buffer zone outside that area where people may be impacted by dust, noise or light, or they

may have their amenity impacted. The Government can require us to purchase those properties if a property owner considers that they are adversely affected by our operations. It is not that we say, "We want to buy your property; you have to sell." That is not the state of play. In an environmental assessment, if it is judged that their property may be impacted by our operations, these properties are individually identified, and those people are given the option of being able to require a mining company to purchase them.

So we do not need that land in order to operate the mine, we are not digging it up, but it is a shelter, a buffer zone around our operations. But the upshot of that means that the industry actually controls very large quantities of ground. So when we actually start to consider what is the potential impact of changing over a fire services levy to a property base, we are very keen to actually see and consider those numbers in order to make a fully considered judgement on what the impact would be. To date we have not seen the modelling, and we have made it clear to the modellers and to the council and so on that we consider it critical to see those.

CHAIR: Could I summarise your position as being that you do have a view at the moment, which you have submitted, but that it is subject to the outcome of the modelling?

Ms STREETER: Correct.

CHAIR: What process did the council adopt in reaching its unified view?

Ms STREETER: We consulted our members. We basically advised them that we have a structure whereby we are governed by an executive committee, which is a committee of 20 of the managing directors of our mining companies; we advised them that a review of the fire services levy was under way; we sought from them expressions of interest for their companies to be involved and nominations of officers within those companies; we contacted those companies, we spoke to them, we sent them papers, we received comments, we did a draft, they saw the draft; and we also sought some specific data for examples to indicate to us exactly how this potential process, both currently and in the future, would operate to impact upon them.

Mr STEVE WHAN: Back on the figures of the insurance payments you are currently making for the fire services levy, do you have an estimate overall of how much is the fire services levy, or would that come out of the modelling?

Ms STREETER: That would probably best come out of the modelling. Along with many other industry associations you tend to get responses from the people who are most concerned with the particular issue. We sought, and quite deliberately sought, test data and examples. We also were doing this in a fairly tight timeframe. So again with tight timeframes you give up total data in favour of examples.

Mr STEVE WHAN: A lot of witnesses have given evidence about the inequities in the current system where people are not insured or are insured offshore. Are you aware of whether in the mining industry there are many companies who insure offshore or self-insure for their operations and who, therefore, would not be paying the levy at the moment?

Ms STREETER: There is not a great deal of that. I understand there is at least one company which is self-insured but, for the most part, the insurances are in place onshore.

Mr STEVE WHAN: Are you able to tell us who that company is?

Ms STREETER: No.

CHAIR: What sort of a relationship has the Mines Rescue Service got with any of our New South Wales Fire Brigades? Do the New South Wales Fire Brigades help train or qualify the Mines Rescue Service, for instance?

Ms STREETER: They do not.

CHAIR: So it is pretty much standalone?

Ms STREETER: It is a standalone because the mines rescue people are generally experienced coalminers and they are trained in circumstances such as fighting fires in very confined dangerous spaces. So that the actual conditions under which they would be fighting fires is different to the circumstances in which the fire brigades would generally operate. There has been a move for our people to co-operate with the fire brigades but, in essence, it is the other way round, if you like.

Mr PAUL McLEAY: Are you aware of any other industries or organisations that have their own rescue service or fire brigade?

Ms STREETER: We have been chasing up the oil companies because we suspect they would be in the same boat, but we have been unsuccessful at present in being able to talk to them. But we would think, for example, that the Kurnell oil refinery and the Shell oil refineries would maintain rescue services or emergency services in a similar way. But, as I say, we have been not successful, to this point, in chasing down some personal contacts to confirm that. So I do not put that forward as a fact, I put it forward as a supposition.

CHAIR: Following from that, to me the big difference with Kurnell compared to a mine would be that New South Wales Fire Brigades would have a responsibility, a duty and an obligation to attend a mishap at Kurnell, whereas in a mine they are specifically excluded. Would that be your understanding?

Ms STREETER: I am speaking anecdotally and I am going to qualify myself right off the planet: I do not know, but I have discussed this particular circumstance with a company that operates in Victoria, not in New South Wales, for example, the Longford gas explosion. My understanding was, from speaking to a company representative who confirmed this, that the immediate response from the company personnel was that because the standard brigades were not qualified it was far too dangerous for them to be on that ground when they did not understand the specifics or the circumstances. I am repeating this; it is hearsay; four times removed; it is not fact.

CHAIR: Your submission raised the possibility of providing a rate reduction for those mines that support the Mines Rescue Service. Have you got some detail as to how that rate rebate could be structured?

Ms STREETER: Obviously we would like the rate rebate to be 100 per cent in terms of the amount that we pay. Taking into account the rate that we pay to the mines service and cut that against the amount that is paid to the fire services, if there was a difference then we would make up the difference. That is fair and reasonable.

Mr PAUL McLEAY: Why not use the example that you used before?

Ms STREETER: For example, one of these companies pays \$466,000 to the fire services levy, but it pays \$193,000 to the Mines Rescue Service; there is a difference. We have not gone into the detail of exactly what would be the preferred outcome, pending some indication of the direction of the inquiry. Rather than go and do all of this modelling and then go and do all of that modelling, when we get an indication of what the direction would be, we would then start to put our effort into moderating specifics of our industry. That would be our preferred way to go.

CHAIR: If we move to a property-based levy we would have to look at systems of calculating that. Your submission looks at issues such as unimproved capital value and improved capital value of land. How do you see those issues being fleshed out should the system change?

Ms STREETER: We would see more benefit in going to the unimproved capital value of land. There are some obvious issues, not related specifically to our industry, relating to land values and improved land values given the property boom, for example. There would be some fairly significant imbalances, if not inequities, with just a simple percentage based on property valuations, especially if it is improved capital value. There will need to be some caps and bases on any system that is brought in to moderate these areas. There is also a need to consider who has access to the brigades: who actually has a reasonable risk that if something happens, they will gain the service to bring an emergency under control. There are many factors like this that need to be taken into account.

Mr PAUL McLEAY: So you think there should be unimproved capital value, but with a loading for risk?

Ms STREETER: Yes, with a loading for risk or an availability of service element. Those sorts of things need to be taken into account. Whatever the system, it must be clear and transparent so that people know it is there. There is another obvious point that I did not get into the earlier in the process because I guess we take it very much for granted. But when you have an insurance policy which has a fire services levy, on which is then added GST and stamp duty, we, along with the rest of industry, have significant problems with that.

CHAIR: You talk about risk. How would you classify property according to risk?

Ms STREETER: I decline to answer the question. It is not my area of expertise. There are many people who are far better qualified to answer that question than am I.

CHAIR: Such as insurance people?

Ms STREETER: Insurance people, property valuers, I really do not know.

CHAIR: The Committee is trying to grasp this issue too. Many people want risk assessment and insurance companies are the experts in judging this; that is their job. We are moving to a system that moves away from risk, yet many want risk included. It is a difficult issue for the Committee also.

Ms STREETER: Yes. In the mining industry we are very good at assessing risk in terms of safety and environmental risk. In establishing management systems within our processes we are very familiar with the concept of risk. I think you will find that in many industries risk to a greater or lesser extent is a very familiar concept to many people. I do not think it is just an insurance-based issue, but as to who would be the best people to consider risk levels in this instance, I could not answer.

CHAIR: You mentioned Western Australia. Would the council support introducing a flat levy for open-cut operations and, if so, how would the levy be determined?

Ms STREETER: Again, regarding open-cut operations, yes, we would certainly prefer it to go that way because we cannot see a really equitable way for them to be taken into account otherwise. There has to be a certain level of consideration, in going through this process, on what is the required budget of the brigades. The basic objective of this process is to ensure that the Fire Brigades and the Rural Fire Service are adequately funded to perform their purposes. I think you then start working backwards from that level. The companies are well and truly willing to contribute to that process and to contribute to a quite reasonable amount. As to how you make that calculation, we are happy to work with you to get to that point. We are not at the point right now to say, "Okay, what should it be?" If it was \$30, as with Western Australia, we would be delighted.

CHAIR: But this is the difference between your submission and that of the Alliance, is it not?

Ms STREETER: Correct.

(The witness withdrew)

(Short adjournment)

ALAN BRACEY FINLAY, Manager, Public Policy, NRMA Motoring and Services, 388 George Street, Sydney, affirmed and examined:

CHAIR: Are you appearing in that capacity today?

Mr FINLAY: Yes I am.

CHAIR: We have received a brief submission from you. Is it your wish that that submission form part of your evidence?

Mr FINLAY: Yes, I am happy for that submission to form part of the evidence.

CHAIR: Would you like to make an opening statement?

Mr FINLAY: In support of the letter that the NRMA submitted to the Committee, I have taken the opportunity to look at the statistics that have been provided on the New South Wales Fire Brigades web site in relation to what it calls mobile property or vehicle fires. From those statistics I note that 17 per cent of all fires involved mobile property but, of those, 71 per cent involved automobiles, and of the 17 per cent of all fires involving mobile property 58 per cent were incendiary or suspicious. That leads me to deduce that only 8 per cent of all fires were what might be called accidental vehicle fires involving motor vehicles. I make that observation or deduction by claiming that the incendiary or suspicious fires would probably be those that might be as a result of insurance fraud or people intentionally burning stolen vehicles. Therefore, NRMA Motoring and Services takes the view that it would be an unjust imposition to put a charge on motor vehicle registrations for the majority of law-abiding motorists who were not involved in that sort of activity and for whom a motor vehicle fire is a very rare occurrence.

CHAIR: That is definitely an interesting perspective. So you are saying that the Fire Brigades' 15 per cent to 20 per cent should really be about 8 per cent.

Mr FINLAY: The Fire Brigades says in its statistics that 17 per cent of all fires involved mobile property. Mobile property includes things other than cars. I am assuming it includes things like trailers, caravans and perhaps implements or plant as well. So 71 per cent of those mobile property fires involved cars. It is not broken down into component parts but, of the 17 per cent, 58 per cent were regarded as incendiary or suspicious. If you take 58 per cent of 17 per cent, I am then deducing that around 8 per cent were probably what might be called more accidental vehicle fires.

Mr PAUL McLEAY: You represent NRMA Motoring and Services.

Mr FINLAY: That is correct.

Mr PAUL McLEAY: Is that a completely different body from your insurance arm?

Mr FINLAY: NRMA Motoring and Services is a separate legal entity to NRMA Insurance. NRMA Insurance is part of Insurance Australia Group, and the commonality that NRMA Motoring and Services has with Insurance Australia Group is that we share the NRMA brand in New South Wales and the Australian Capital Territory. Insurance Australia Group brands its insurance products in New South Wales and the Australian Capital Territory with the brand "NRMA" but we are separate legal entities.

CHAIR: But it does also fund you, does it?

Mr FINLAY: No. In fact, at the moment NRMA Motoring and Services pays fees to Insurance Australia Group for being our distribution agent. We use their branches to sell and service our products. There is no money being paid to NRMA Motoring and Services from Insurance Australia Group at the moment.

Mr STEVE WHAN: With those figures on fires involving cars, how do the Fire Brigades rescue services fit into that when they attend accidents and extract people from cars, and things like that?

Mr FINLAY: I am aware that the Fire Brigades is one of the organisations that provides rescue services for people trapped in cars or at motor vehicle crashes. Unfortunately, I do not have the statistics in terms of the rescue activities involving motor vehicle crashes. In glancing at the Fire Brigades web site, I think those statistics may have been there but I concentrated on the fire aspect.

CHAIR: Do you have any views about the current system of funding fire services in New South Wales?

Mr FINLAY: As I understand it, fire services at the moment are funded through levies on insurance premiums. I am aware that that being the case, there is probably some inequity in that only those who have insurance products are funding the fire services. Others in the community probably gain from the benefit of the fire services, but do not contribute to them. That is about the extent of my organisation's views on it.

CHAIR: That argument has definitely been put forward to us by the Insurance Council and, in particular, IAG. Another point of view has also been put forward, that the Fire Brigades also use resources and it costs them money to attend fires and accidents that involve cars. Therefore, motorists should also pay a small fee towards it.

Mr FINLAY: Our view would be that motorists are already paying substantial amounts in lots of other taxes, charges and imposts. We would believe that there should be enough in consolidated revenue from those overall taxes and charges that are being levied on motorists to pay whatever small component might be regarded as necessary to fund that component of the fire services operation.

CHAIR: Are you familiar with the South Australian system?

Mr FINLAY: No, I am not totally familiar with it. I understand that there is a levy on motor vehicle registrations, but I am not sure how the levy is applied and whether it is quarantined specifically for that activity.

CHAIR: They have moved down the line of where the Insurance Council would like to go of having a property-based system rather than a collection of money from insurance contractors. They have also recognised the service of fire services on the roads, and have collected a fee from motorists. Do you not consult with an equivalent road service organisation in South Australia?

Mr FINLAY: There is some dialogue between the different motoring clubs around Australia, but that particular subject has not come up at the combined public policy meetings of those organisations. I have not made contact with my counterpart in South Australia to understand their views on that levy.

CHAIR: If the Committee were to make recommendations that a levy be imposed on motor vehicles, as is the case in South Australia, would you suggest a flat rate for every vehicle or a differential rate depending on the size of the vehicle or whether the vehicle carries a risky product?

Mr FINLAY: Without having given the matter a lot of thought, I would think that it is probably fairer to have a differential rate related to, perhaps, the fire risk of the type of vehicle or, perhaps, the type of goods that it is carrying, in the case of a commercial vehicle, or, perhaps, the propensity of different types of fuels to ignite.

CHAIR: Should the Committee recommend that a levy be placed on motor vehicles, what would you think would be the best organisation or organisations to collect it? Would it be the Roads and Traffic Authority through registration on the one hand or, on the other, would it be through insurance companies compulsory third party green slips?

Mr FINLAY: I would have thought probably the RTA. If you are going to impose a levy on registration it is probably more appropriate that it be collected by the RTA, there being then only one collection agency rather than multiple collection agencies that we have with CTP insurers. If a levy of that nature were to be introduced our organisation would like to see it specifically dedicated to that application rather than have it going to consolidated revenue.

Mr STEVE WHAN: You mean to the fire services rather than—?

Mr FINLAY: Specifically to the fire services.

Mr PAUL McLEAY: Like the three by three, for example?

Mr FINLAY: Exactly, the same principle.

(The witness withdrew.)

GRAHAME RUSSELL GIBBS, Director, Performance Management and Compliance, Department of Local Government, 5 O'Keefe Street Nowra, sworn and examined:

CHAIR: We have received a submission from the department. Is it your wish that this submission form part of your sworn evidence?

Mr GIBBS: Yes.

CHAIR: Would you care to make an opening statement?

Mr GIBBS: No.

CHAIR: What are the current views of the Department of Local Government regarding the current system of funding fire services in New South Wales?

Mr GIBBS: It is not really a matter for the Department of Local Government. We do not administer the funding arrangements. We administer the Local Government Act, and the funding arrangements are under another piece of legislation. In terms of the impact on councils, as you know, councils are restricted by rate pegging in the amount of general income they can raise. There is a provision for special variations in cases where the department recognises that councils cannot meet their contributions. They may apply for special variations.

CHAIR: Can you explain a bit more how councils decide the level of rates for each property, and are each property's rates determined every year?

Mr GIBBS: The second part of the question, yes, they are determined every year. Councils make and levy rates according, primarily, to land value of the property, the unimproved value, and that is the value that is determined by the Valuer-General. Having said that, there are a number of options that councils have when they make rates. Firstly, they are required to categorise the property. It has to fall under residential, business, farmland or mining. Having determined the category, then the council is able to determine what the rating structure will be for that category. It may be a pure ad valorem rate, which means it is determined entirely on the land value; it may be an ad valorem with a base amount, and that base amount is set so that the amount of income derived from the base amount cannot exceed 50 per cent of the total income for that category or subcategory, or the council may determine an ad valorem with a minimum amount. Councils also have the option to determine subcategories within those categories, and the subcategorisation of the categories is determined by the Local Government Act. Certain criteria has to be looked at.

CHAIR: Councils have expressed a concern that the amount of money required for fire services each year has increased greater than they can raise rates due to rate pegging. For example, rate pegging could be set at 2.3 per cent, yet the statutory cost per council, as their contribution to fund fire services, has risen 10 per cent. Councils have complained that this has been happening for a number of years now. How can this issue be resolved?

Mr GIBBS: I am sorry, I am not able, just off the top of my head, to resolve that issue. As you know, rate pegging is a government policy, and the principle of rate pegging applies to all councils in New South Wales. The amount set for fire levies is determined primarily by the funding formula, depending on whether it is fire brigades or a State bushfire levy. The financial impact on individual councils is not something we monitor. We are aware for some councils there have been concerns and, as I said, the special variation process allows councils to seek an increase beyond a rate pegging limit if they cannot absorb that cost increase.

Mr STEVE WHAN: When you calculate the rate-pegging amount or the department presumably makes a recommendation to the Minister, does it take into account things like the fee increases in the fire service levy each year?

Mr GIBBS: If it was a uniform increase, it would be able to be picked up, but because the percentage is not uniform across all councils and the general variation is, it is very difficult to include a percentage impact for all councils to reflect the increase of these fire levies.

Mr PAUL McLEAY: Do you know if anyone has applied for a special exemption? Do you do fire service levies?

Mr GIBBS: There have been a number of councils. When I say "a number", I mean two or three councils that have identified that as an issue. Given that we get in the vicinity of somewhere between 20 and 30 councils applying for variations each year, it is not a large number of councils.

Mr STEVE WHAN: How many are successful in those applications?

Mr GIBBS: Are you talking about just that fire levy?

Mr STEVE WHAN: No, just overall, out of those 20 or so that you get a year.

Mr GIBBS: Well, this year, all councils were successful in getting in the increase—maybe not at the exact level that they sought, but certainly exceeding the rate pegging.

CHAIR: The Act allows for certain land types to be exempt from rates. Does the department know how many parcels of land these exemptions represent?

Mr GIBBS: No, we do not. We do not monitor that.

CHAIR: So the department has no idea how many parcels of land are exempted from rates?

Mr GIBBS: I need to go back. The definition of "a parcel of land" is determined by the Value-General in valuing the properties. If the properties are not rateable, then they may not be identified as a parcel of land. They are not actually identified.

CHAIR: So you could not say what some land examples are exempt under—a particular section or sections, and others under other sections?

Mr GIBBS: Can you give me an example, please?

Mr PAUL McLEAY: Well, 555 compared to 556.

Mr GIBBS: Well, 555 covers all rates, and 556 covers all rates except water and sewerage.

Mr PAUL McLEAY: How many come under 556? How many just pay water rates and not land rates?

Mr GIBBS: I do not know. I cannot answer that question. It is not something that we monitor.

Mr PAUL McLEAY: Who does?

Mr GIBBS: The individual councils would know.

Mr PAUL McLEAY: How do you know if they are not complying?

Mr GIBBS: Complying in rating properties?

CHAIR: Yes.

Mr GIBBS: The council would rate them, if they could. There is no need to check.

Mr PAUL McLEAY: What if the general manager's house, for example, happened to not have a rate on it?

Mr GIBBS: Well, there would be a valuation for that property. The rate would be struck as part of the rating system. It would not be the decision of one person at the council. The exemptions are determined under the Local Government Act. The council would not be able to exempt individual properties.

Mr PAUL McLEAY: Does the department know how many pensioner concessions are provided?

Mr GIBBS: We know how much is claimed in pensioner concessions. I can find that out for you. I will have to take it on notice. But in terms of the number of properties, no, we do not because we administer the pensioner concession scheme for rates and councils claim for that. We know the amount of money that is paid out. The difficulty is that pensioners do not always claim in the year that they are entitled to, nor do councils claim for that, so there may be some overlap. But the number of properties is of little or no interest to us.

CHAIR: Moving away from the current system, if a property levy was introduced on all property owners, meaning that the fire services levy from council rates would be removed, would the department agree that council rates should then fall in proportion? If the council no longer is having to pay the 14-and-a-bit per cent, should rates reduce by that?

Mr GIBBS: I would agree that councils would have raised more revenue than they need. Whether that should be reflected in a rates reduction because the amount that is contributed to the fire levies is not specifically raised as a particular rate would be the same as any other cost to the council which reduced: It does not necessarily result in a reduction in rates. It would not automatically flow that there would be a reduction in rates.

CHAIR: Does the Act allow the Government to enforce them to reduce their rates if we were to take a major section out of their cost option?

Mr GIBBS: The provision allows the Minister to determine a rate-pegging limit, and there is provision there for a negative percentage. But, as I said, the percentage is not uniform across all councils, so it would be a very blunt instrument to assume a certain percentage reduction in the rate-pegging limit for all councils because it would not be reflected as the same amount for all councils in a percentage-wise reduction.

Mr PAUL McLEAY: So when you say you are pegging it, it is a broad description.

Mr GIBBS: Yes. It is a general variation across all councils.

CHAIR: Do all councils take the maximum pegging?

Mr GIBBS: Yes, more often than not. It is an oversight if they do not, and they are able to catch up two years, if they do not pick it up.

Mr PAUL McLEAY: If we were to move to a rates-based system, would your view be that council could easily administer the collection of those funds?

Mr GIBBS: I am not sure how much administration would be involved in collecting that. It would be a State levy and the council would be collecting it on behalf of the State and then remitting it to somebody. I would not imagine it would be beyond councils to do that. It should be fairly straightforward.

Mr PAUL McLEAY: We have heard evidence from Treasury that the additional cost to councils would more than likely be no more than the cost of a line of ink on the rate notice whereas the Local Government and Shires Associations or its members said that the cost would be actually a lot more, due to compliance queries. It was suggested that if they were to collect it, they might investigate using it as an income source. Can you give us what the department's advice might be between those two extremes?

Mr GIBBS: I think it would be certainly more than just a line of ink across a rates notice. That in itself raises an issue that each ratepayer would see the State levy appearing on their rates notice. The collection would mean that the council would have to identify that portion of each rate payment which related to the levy. My understanding is that it would be based on a property value. So it would have to isolate that and there would need to be some certification as to the amount collected and remitted. I imagine there should be some acquittal. If there was going to be some dissection of an amount to the Board of Fire Commissioners and an amount to the bushfires, it may be collected as a single levy but at some point it may have to be split. That may or may not be done at council level because not all councils currently contribute to both levies. There would have to be some remittance arrangements.

Rates are usually collected four times per year in quarterly instalments. So it would be the single rates notice plus the reminder notices that ratepayers would receive. I think it would be more involved than Treasury has indicated. So far as putting a percentage cost on it, it would depend on the current rating systems and computer systems in the council, the ability of the system to be able to absorb a change like this and whether they needed to upgrade a particular system. I should imagine it would vary from council to council.

Mr PAUL McLEAY: You said that if it were to be on a rate basis the councils are restricted by rate pegging. Is there a provision for a line item such as a fire service levy to be exempt from rate pegging?

Mr GIBBS: Initially the understanding may have been that it was the council that was making the levy. That is not the case, as I understand from my reading of the proposal. It is actually a State levy and the councils are collecting it on behalf of the State Government. I understand there are examples of this already happening. Can I clarify that this is already being done with other levies?

CHAIR: Not on rates in New South Wales.

Mr JOHN TURNER: There are other State government charges that they have collected.

Mr PAUL McLEAY: There is stamp duty.

Mr GIBBS: In that case, where it is just collecting something on behalf of the State Government, it would not form part of rate pegging. Where it would form part of rate pegging is where the council is actually making and levying a rate for a service it provides. In this case it is not providing the service, so it cannot make and levy the rate.

CHAIR: Are there any legal imperatives that you are aware of?

Mr GIBBS: It occurs to me, and this would need some further research, whether the rates notice in itself is a State charge or an amount collected on behalf of another body. My understanding is that the rate notice itself is a legal notice and it forms the basis of amounts collected by the council for council-provided services. I am not sure without some legislative change whether it may not be able to happen. I am not sure about that.

(The witness withdrew)

(The Committee adjourned at 4.35 p.m.)