

REPORT OF PROCEEDINGS BEFORE

PUBLIC ACCOUNTS COMMITTEE

REVIEW OF FIRE SERVICES FUNDING

At Queenbeyan on Thursday 27 November 2003

The Committee met at 11.30 a.m.

PRESENT

Mr M. J. Brown (Chair)

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

CHAIR: I declare the hearing open and welcome everyone in the public gallery. I 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 the Legislative Assembly's Standing Orders Nos 332, 333 and 334 in relation to the procedure for the examination of witnesses by the Committee. Those standing orders are also available in the room.

VIVIAN NORMAN WILLIAM STRAW, General Manager, Snowy River Shire Council, 2 Myack Street, Berridale, sworn and examined:

CHAIR: The Committee has received two submissions from you. Is it your wish that the most recent submission form part of your sworn evidence today?

Mr STRAW: It is, yes.

CHAIR: Would you care to make an opening statement to the Committee?

Mr STRAW: Yes, thank you. Our submission basically supports the submission that has been put separately by the fire captains for the Snowy River Shire Council area. I understand that they will give evidence immediately after me. The basic tenet of our submission is two-fold: one, that there is a need to review the way that fire services are funded, so that they are funded according to the value of property, and that should be by a rate base; two, Council has basically said that should be the improved value of property, although it understands that the unimproved value is the normal rate-collection system and that would be acceptable. The idea is that that system would be more equitable. At the moment, because the bulk of funding for fire services is raised through insurance collections, people who pay for insurance, Council believes that obviously not all property owners are carrying the load.

It is property that is protected by the fire services and, therefore, Council believes it would be more equitable for all property owners to pay. The only other issue that Council has asked me to raise since my original submission is that of additional capital costs or additional works that might be required as a result of new developments in the local area. That matter has been raised by Council because there is some concern, especially with the Rural Fire Service staff, which has moved from employment by Council to the Rural Fire Service. If property that is currently owned by Council were also to move over to the service, the nexus between us collecting section 94 contributions would be lost. It is suggested that an amendment to the Act would be required to maintain that nexus for the provision of additional services that local fire brigades would require. Although it has moved to the State, we believe that the State should be able to collect that money, based on the nexus to increase development in an area.

CHAIR: Would your Council support having to pay also a levy on its property within your shire?

Mr STRAW: Yes, I believe it would.

CHAIR: In your submission you mentioned the unrateable property in Kosciuszko National Park. Presumably insurance is paid for that, and therefore it is contributing to the fire services levy. I understand the population in your shire almost triples at the height of the ski season?

Mr STRAW: Yes, it does. The shire has a population of about 7,000 at the moment. On a peak winter weekend we can have 20,000 people in the shire. The issue of paying levies for properties within the Kosciuszko National Park is, firstly, that they do not pay any rates, because they are within a national park, on lease; and, secondly, if they choose to insure their property, they do not necessarily have to insure through an Australian insurance company. They can insure offshore. In that case Council believes that a levy would not necessarily be collected through that insurance company.

CHAIR: Do you have any suspicions that any particular company is insuring offshore and therefore avoiding the levy?

Mr STRAW: I do not have any direct evidence on the major companies, Perisher or Thredbo. However, I have been told by a couple of the owners of smaller lodges within Thredbo that they insure offshore. You must understand that a large number of our lodge managers or owners work our winter season in Australia and our summer season in places such as Austria or Canada. As they have businesses overseas, they literally close down for our summer period. They live a permanent winter. Their businesses transcend Australian rules, so they insure their business assets wherever they can get the best price; not necessarily onshore. I have no evidence about whether Kosciuszko-Thredbo as a company insures within Australia or not. But the principle is there, it could if it chose to.

Mr PAUL McLEAY: Do the developments in Kosciuszko attract section 94 provisions?

Mr STRAW: Not at the moment. The State Government is currently reviewing the alpine planning process. Until very recently, developments within the national park were approved under the National Parks Act and under part 5 of the Environmental Planning and Assessment Act—so they did not collect section 94 contributions. If the State Government is careful to sort out its approval process under part 4, it could levy section 94 contributions. The former Department of Urban Affairs and Planning, now the Department of Infrastructure, Planning and Natural Resources, is the consent authority within the national park, so it could collect section 94 contributions, and will do for the major Perisher expansions.

Ms GLADYS BEREJIKLIAN: Could you elaborate on the nexus you attempted to establish between the separation of fire services from Council's control and the impact on section 94 contributions? You have mentioned that in your submission, but can you provide greater detail?

Mr STRAW: At the moment, when Council gives an approval for any new development it can collect section 94 contributions based on the nexus that we own the assets of the Rural Fire Service. If those assets are not owned by Council—that nexus, the link—Council is not expending its money on those assets and, therefore, cannot collect money under section 94 for improvements to those assets. Our argument, and that of many councils in rural areas especially, has been that increased rural residential development places a greater demand and raises the level of risk. Therefore, it creates a potentially greater demand on the fire service.

For that reason, at the moment we collect money to improve the assets that the fire service has. If the assets move into State ownership we would lose that nexus for collecting that money. It is Council's view that there is no reason why the State should not also be able to collect the money, because the increase in risk, and therefore the increase in demand, is a result of development in the area, not a result of natural processes.

Mr PAUL McLEAY: You said your Council would support collecting a levy on behalf of the State Government. The Committee has had evidence from Treasury to say that the costs in you collecting that could be as low as simply a line of print on a rate notice. Others have said it might be a little more. What are your views on that?

Mr STRAW: The cost of collecting levies from landowners is fairly minimal. There are a couple of additional costs and a few landowners do not pay. Council has to go through a follow-up process of debt collection, and so forth. There are some costs involved in that. In our Council those costs are less than 5 per cent of the overall rate collection, so it is fairly small.

Mr PAUL McLEAY: Up to 5 per cent?

Mr STRAW: Up to 5 per cent of the rate collection costs. So it is fairly negligible really.

CHAIR: What about the costs to expand your list of rateable properties? You have some properties that do not pay rates at the moment. Are they easily identified and can they be incorporated into a new system and then charged a levy?

Mr STRAW: They are. The State Government provides that information through the Valuer-General's Office. All land that has a subdivision, a title or a lease from the national park can be dealt with. We have actually just gone through that process. The Snowy Mountains Authority was corporatised to the Snowy Hydro. They have a lot of small blocks under their lakes, Lake Eucumbene

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and Lake Jindabyne. They had a village, Eucumbene Cove. In the past 12 months all those lots have been added to our rating property. It was not a difficult process at all.

CHAIR: Do you think you would be the more appropriate agency to collect this levy, or do you think the Valuer-General's Office, the State Revenue Office or some central State agency would be more appropriate?

Mr STRAW: I think that others would probably be more appropriate, but it would be simpler for us to collect it because people are already paying rates to us. They see their rates notice. They get a water rate, a land rate and a garbage rate. A fire rate could easily be added on. I think it would be simpler for people to get a rates notice from us. If you go through another agency it would involve another letter, another time of year and another set of processes. The processes are fairly clearly set out in the Act. It is a matter of simplification for the end user rather than for us. A few councils might say, "That is an extra burden" and they will try to get out of it. If we were all working together we could try to make things work for us and do it really simply.

Mr STEVE WHAN: If a new system were to replace your 13.3 per cent contribution would you see the Snowy River Shire Council reducing its rates by a commensurate amount, or would you want to hang on to that amount of money for other purposes?

Mr STRAW: I have not thought that one through in detail. Certainly, the State Government could argue that there is a reduction in our overall costs. We are paying 13 per cent plus whatever it costs us to administer these schemes. We administer the fire service's local funds. We charge them a dollar a year to do that. Obviously, it costs us more to do that.

Mr PAUL McLEAY: Whom do you charge?

Mr STRAW: We charge a nominal dollar in the agreement so that there is a clear nexus consideration. We provide a budgeting service for the local fire brigades. The general manager of the Council signs off on the application to the State Government for funding each year. So we manage their funds in a small way for them. I think we could continue to do that, but there would be some cost. There is some additional cost there but we would be getting rid of a 13 per cent burden elsewhere. I do not know whether we would reduce it. We would be more likely to move that cost.

Mr STEVE WHAN: You would be paying something on your own properties, so it would not be the full amount?

Mr STRAW: Yes. I think we would want to work through the detail on that. Obviously some properties provide emergency services and so on. We would like to see some compensation for those. But for our head office, our other offices and depots and some of our commercial properties, obviously we should pay a levy on those, the same as any other landowner.

Mr STEVE WHAN: If the rate of the contribution was based on unimproved capital value, would you see any issues relating to fairness with regard to people who have a lot of land, or landholders versus people on small blocks who may be generating more money from the small block depending on its use or related to the risk of different types of uses? Do you see any fairness issues involved in that?

Mr STRAW: I do. I think there is an argument that the improved capital value more closely reflects the risk issue and, consequently, the improved capital value would be a fairer value. In relation to the Rural Fire Service, farmers and agriculturalists carry a heavy debt not just in the fact that they pay rates and that some of those rates go, but also in the fact that they are also predominantly volunteers. They are the workers, the people who go out every week and check that all the fire trucks are working, that the sheds are in order and that the radios are going.

They carry a large part of the burden of the emergency services, or the Rural Fire Service at least. Certainly in small country towns where there is a town fire brigade there are townfolk who do the same thing. Some townfolk join the service, but the bulk of the volunteers are farmers. Consequently, if you have buildings you are in an urban area and you have assets that you want

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protected. The bulk of those people are basically getting a free service. They are paying a little through their rates but it is the volunteers who come out and protect them every summer.

CHAIR: Are the rates in your Council calculated on the unimproved value of land?

Mr STRAW: They are, yes.

CHAIR: Yet your submission makes reference to the improved capital value of land?

Mr STRAW: Yes.

CHAIR: How can we change from the current system to the system that you propose?

Mr STRAW: There is some difficulty. I think the problem would be that a whole new set of valuations would be required. So there is a big up-front cost in valuing the improved capital value of land. Council recognises that.

CHAIR: Who would undertake that form of valuation?

Mr STRAW: I believe that the Valuer-General's Department is well set up to do that. Overseas, in Britain and in France, there are improved capital valuations. Certainly there are in some States in America. There are improved capital value systems for things like this. So it is not an impossible task. But it is a big up-front cost if that is what you are proposing to bring in. I think Council's position is that if that becomes too burdensome to set it up it would accept an unimproved capital value. But as I just said to Mr Whan, an unfairness arises out of that in that people who have big houses and commercial and industrial buildings are in areas that are potentially under threat from fire, have a much more valuable asset, and consequently part of your risk assessment is, "Who is in the way of the natural disaster?" If the fire is the natural disaster, obviously the people with more to lose should be asked to pay.

CHAIR: Could you envisage a system of unimproved capital value but with certain caps and thresholds with a minimum payment up to a maximum amount, and for anything over that maximum, it would be for capital value rather than unimproved capital value?

Mr STRAW: So you have a mix. Referring to unimproved capital value, we currently have a minimum rate levy anyway. That is based on the agricultural rate. The Local Government Act requires that the agricultural rate be the lowest rate in the dollar. So you could have a system like that where you set your minimum rate and anybody who does not have a higher rate falls below that. If you do not do it entirely on unimproved capital value you can then have different rates in the dollar for different types of risk. So residential areas, for instance, or rural residential areas might have a higher risk assessment and you would have that as a higher rate. The commercial area in the middle of town might be a very low risk because you have the rest of the town around protecting it, basically, so that might be a lower risk. You could do it that way and you could still do it on the unimproved capital value.

CHAIR: That might be a lower risk for bushfires but it could be a higher risk for expensive equipment in urban areas.

Mr STRAW: Certainly in town fire brigade systems it might be higher. The issue in the back of my mind would be to ask whether you would be looking at putting all this money into one lump sum or whether you would be collecting one for the New South Wales Fire Brigades and one for the Rural Fire Service. If you were collecting two you might even have different systems for those two. That would not be all that difficult. You would just reverse your rating process.

CHAIR: Our terms of reference are to look at funding for all fire services, so it would be for both.

Mr STRAW: My question is whether you want to collect two lots of money or one lot and put it into one pool.

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Mr PAUL McLEAY: What is your understanding of the current make-up of the money that you collect? How much do you think your ratepayers pay to the Rural Fire Service versus the New South Wales Fire Brigades?

Mr STRAW: I cannot give you the dollar amount. David Glasson, who is speaking after me, might be able to give you the rates. I know we discussed it. The Rural Fire Service payments are much larger than the New South Wales fire service amounts.

Mr PAUL McLEAY: Do you tell your residents the difference in the components?

Mr STRAW: No. You would have to go looking through the budget. They are in separate items in the budget. We are fairly clear about the 13.3 per cent that goes to the Rural Fire Service but that is probably because a number of councillors are rural councillors and it is an issue that is of interest to them. I imagine that some of our councillors do not realise that we pay a cheque to the New South Wales Fire Brigades each year. It is a smaller cheque, but we do pay it.

CHAIR: Would you like to make any comments regarding the position of the Local Government and Shires Associations, which we heard from yesterday?

Mr STRAW: No, I do not have any comment on that.

CHAIR: You have no further comment on that submission?

Mr STRAW: No, not at this stage.

Mr JOHN TURNER: Do you have any views as to why Commissioner Koperberg particularly wants to retain the existing insurance levy whereas your Council and the Local Government and Shires Associations wish to go to a property levy?

Mr STRAW: I suppose the particular issue that is close to us is not so much the villages in the national parks but areas that have forestry interests. There are large forestry organisations around us, which we believe insure their plantations offshore. I do not have any direct evidence but the discussions locally are that they insure offshore and, therefore, get around the fire levy. They provide their own fire service vehicles but they would still expect our fire brigades to come to them. From a local point of view the issue is one of equity for farmers.

Mr JOHN TURNER: What percentage of your shire would be non-rateable national park?

Mr STRAW: The national park is about one-third of the shire, but the actual villages are very small. It is only 0.6 per cent of the national park.

Mr JOHN TURNER: About one-third of the shire is not rateable land?

Mr STRAW: Not rateable land, yes.

CHAIR: If the current system were to remain, and the Committee were to look at ways to fix up situations in which people were avoiding the levy by either underinsuring or insuring offshore, could local landowners prove to you they have insurance when they pay their rates, similar to the Medicare surcharge that exists federally?

Mr STRAW: You could set up a system like that.

CHAIR: Would that create an undue burden on Council?

Mr STRAW: For us it would, in that people have to supply us with something. A larger and larger proportion of ratepayers just put the money straight into the bank. We never see them. We do not talk to them; the money just appears in the bank next to a name, and the rates are paid. The collection of rates is a fairly cheap process. People pay them over the phone or by credit card or whatever. To adopt that, landowners would have to post material in, we would have to check it, and

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there would be a lot more handling and we would go back to the old system of paperwork, and that would concern me.

(The witness withdrew)

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DARVALL SINCLAIR DIXON, Grazier, Group Captain, Snowy River Rural Fire Service, Berridale, and

DAVID GLASSON, Farmer, Group Captain, Snowy River Rural Fire Service, Berridale, sworn and examined:

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

Mr DIXON: As Group Captain of the Snowy River Rural Fire Service.

Mr GLASSON: As Group Captain of the Snowy River Rural Fire Service.

CHAIR: Do you wish your submission to form part of your sworn evidence?

Mr GLASSON: Yes.

CHAIR: Do you wish to make an opening statement?

Mr GLASSON: The present system of funding for fire services was largely put into place early last century. Since then many things have changed, most notably the depopulation of our rural communities. The current structure of funding is: local government 13.3 per cent, insurance levies 73.7 per cent and State Government 13 per cent. State Treasury determines the level of funding that both local government and insurance companies have to contribute, yet it is the smallest stakeholder. Small rural councils have a huge problem in meeting their obligation in funding and the level of funding has no bearing on the fire risk that the community faces. Some councils are financially strong, such as Gosford, that can afford to top up their contribution by \$1 million, and in others, such as Sutherland, the entire fire budget is paid by Council.

In the Snowy River we have a budget this year that allows us to replace one tanker with a second-hand replacement. We have 35 tankers, the oldest being 30 years. At this rate we would perhaps have a tanker fleet that would not be very effective in an emergency. The funding needs to reflect the fire risk of the district and adhere to the Rural Fire Service policy of no tanker being older than 15 years. It must be noted that the problem of tanker replacement or the ability to finance tankers is not made at a local level: it is made in Sydney. I would like to raise the subject of on-costs. At the present moment we pay approximately 37.89 per cent of our allocation to Council in program costs. It appears that there is no set formula in deriving this figure, for example, Bombala and Cooma who are in our team pay 25.43 per cent and 39.14 per cent respectively.

CHAIR: Are you talking about the cost structures within the service?

Mr GLASSON: We get a budget and then there is this percentage that is taken back to Sydney.

CHAIR: Our terms of reference are quite specific. We are looking into how to fund the overall service. The internal workings are not really within the terms of reference of our Committee.

Mr GLASSON: Mr Chairman, I think it is very important to have the full picture to understand the problems on the fire ground of the budget structure.

CHAIR: I will allow you to continue, but that is really not within our terms of reference. We want to know how best to fund the fire services, not how the internal budgetary mechanisms work.

Mr GLASSON: I can appreciate that, but this shows what the needs are in a budgeting structure.

CHAIR: This Committee has got no jurisdiction to look at the amount that Treasury or anyone else allocates to the fire services. We are simply looking at the collection of funding to fund the amount that is set.

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Mr GLASSON: I quote from an article in the *Summit Sun* on 9 October 2003 where the local member Steve Whan claims that the budget of the Rural Fire Service has increased 146 per cent since 1994-95. This may be so, but the equipment is not getting through to the fire ground; we have serious communication problems with our radio network; we have not received funding for fire trail maintenance for three years; and our budget from 1998-2000 has increased by 11 per cent—

CHAIR: You are straying from the terms of reference, and I ask you to return to them.

Mr GLASSON: In January this year, Minister Debus promised \$600,000 for a fire control centre in Jindabyne. There was no consultation with the local brigade members as to the need for such a centre.

CHAIR: Again, we are not concerned with consultation with the Minister. We are looking at the funding of the services.

Mr GLASSON: The present method of funding does not capture all in the community that have assets that are protected by the volunteers of the Rural Fire Service. For example, not everyone insures their property; large companies can insure offshore and therefore do not pay the insurance levy; and organisations can choose to self-insure, and yet the Rural Fire Service still protects the assets. It is very important to understand those three different criteria. It must be noted that not all finances for rural brigades come from present budget arrangements. Brigades exist on donations and voluntary fundraising efforts, such as providing a bar be cue at a local clearing sale, et cetera. It can be said that the Government expects a lot from its volunteers.

The burden can be spread a lot more in a highly populated area as opposed to many of the rural areas in New South Wales where members of the community have many commitments to raise funds. Land agencies are starting to place high rents on to emergency services radio towers. To overcome this all emergency services communication equipment should only have to pay a peppercorn rent, if any rent at all. Global budgeting is recommended for all fire districts to enable resources to be placed where they are most needed. With this process duplications are eliminated and regional offices could be disbanded, therefore allowing more resources to go where they are needed on to the fire ground. Perhaps that is straying away from the terms of reference.

In relation to the recommendations we say that: the current system of contributions from local government, State Government and insurance companies be revoked; a system be put in place that sources adequate funding from throughout the State to meet the standards of fire cover needs and their running costs across the State; this system calculates the amount of funding needed for the State for each financial year; and this system calculates a fair and equitable levy which is applied to all rateable land and lands that although non rateable, have a fire risk for which a service needs to be provided and this levy be collected from the local government rates process. The value to be rated would need to be applied to the value of the assets, not just the land value, as the improvements make up a substantial component of the asset that the Rural Fire Service protects.

We further recommend that: the system calculates a fair and equitable levy which is applied to all motor vehicle, boat, caravan, aircraft and any other transportation device and that this levy be collected through the registration process; all assets that need fire protection contribute to the cost of that protection, such as power lines or telephone assets; the system has a reviewable process so that all people are treated fairly and have an ability to pay—that is very important; global budgeting be put in place for each fire district, similar to the education department; a special purpose fund be set up to assist areas that have had an extraordinary commitment of their resources; and an incentive system be put in place to encourage people to be aware and prepared for fire.

CHAIR: You have suggested some alternative options. In particular, you also agree with the Snowy River Shire Council in looking at the improved value of land rather than the unimproved capital value of land. We have heard evidence this morning that that will take a whole new system for this State and that it could be quite a costly and lengthy process. We have also heard evidence that often the improved value correlates quite closely to the unimproved value. Do you have any comments to make on that?

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Mr GLASSON: I guess in some ways it is a little out of my field, but a comment would be that, particularly in subdivisions, the structure on the place is the most valuable part of it, and that structure is what the Rural Fire Service is protecting.

CHAIR: Yes.

Mr PAUL McLEAY: Do you think that insurance is not capturing this proportion of the improved versus the unimproved value?

Mr GLASSON: I cannot determine it by figures, but from talking to people. If they are not insured at all, which is one of the situations, they are underinsured. I think that with the pressure of costs these days, perhaps insurance is one of the first things that are dropped off their expenditure.

CHAIR: But does the current system—with people insuring property and having the insurance company actually making that assessment, say, "Hey you've got a valuable building on your property. Therefore we are going to lift the amount of insurance, should that go."

Mr GLASSON: Not through my experience.

CHAIR: Your experience with insurance companies is that they are insuring for the same amount, whether it has a building on it or not?

Mr GLASSON: No, what I am saying is the value of the building: to me, it is the insurance policy-holder who insures for the risk they want to take. They can take some of the risk themselves.

Mr PAUL McLEAY: That is right, but do you feel that there is much evidence of that?

Mr DIXON: You hear of cases every time an emergency goes through where people are underinsured. You take the ACT fires. You hear that they were underinsured, so I think that there are cases. When people are printing budgets, it seems that people think it is one of those things that will not happen to them.

Mr GLASSON: Certainly at a local level after the January and February fires, there were a lot of underinsured fences.

CHAIR: That is definitely an issue. Your submission also raises the issue of the non-rateable properties. Do you support imposing a levy on all properties, including local government and State Government properties?

Mr GLASSON: Very much so. I think there has to be a contribution right across the whole community. As Viv Straw pointed out, some 30 per cent of our shire is made up of non-rateable land and yet we spend an incredible amount of time in January and February on the non-rateable land.

Mr DIXON: I personally spent six weeks in the Kosciuszko National Park, and that is not rateable.

Mr PAUL McLEAY: Would you expect that if there was a move to a rateable scenario, that insurance premiums would drop? What do you think would happen?

Mr GLASSON: I think that, whatever process this Committee recommends, you have to structure it so that the insurance companies are bound to reduce the premium by the same margin as the levy.

Mr JOHN TURNER: I agree with you, but I do not know if we can do that. How does that fit with the general manager of the Snowy River Shire Council—and I will try not to verbal him—saying that the Council may be tempted not to reduce the rates accordingly?

Mr GLASSON: I guess the finances of local governments are totally different from what we are talking about at the moment. I presume it is like you people: the councils have to face the election every now and again. That would be judged by the community.

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Mr JOHN TURNER: Can I just go back to the non-rateable land matters we were talking about, for clarification. Your submission states that this system calculates a fair and equitable levy which is applied to all rateable land, and lands that, although non-rateable, have a fire risk. Reading that as a qualification, is there non-rateable land that does not have a fire risk?

Mr GLASSON: I cannot think of that off the top of my head, but there must be something.

Mr PAUL McLEAY: Like a dam?

Mr GLASSON: Exactly. There must be something. I think, to be technically correct, you have got to put that clause in them.

Mr JOHN TURNER: I appreciate what you are trying to get at about non-rateable land.

Mr PAUL McLEAY: Can I get clarification of your opening submission. After you listed a proposal you also made the point about the ability to pay that should be factored in. Can you expand on that?

Mr GLASSON: Yes. I do think in any structure you need a clause that is going to cover most situations. You may have a situation such as droughts, which Monaro seems to suffer on a regular basis, where you go into exceptional circumstance. Maybe that is a situation where you do not have the ability to pay under that. I suggest in terms of a pensioner, there must be some sort of assistance there.

CHAIR: There is not at the moment. The insurance company will charge the same on risk.

Mr GLASSON: Maybe not, but surely this is why we are looking at changing the system—to give everyone a fair go.

CHAIR: One of the main criticisms of the current system is that it is inequitable in that some people are taking out insurance and are therefore subsidising those without. We have not received many submissions suggesting that we should discount policies or reduce the levy, depending on the class of the person or the income level they have.

Mr GLASSON: Maybe not, but in other areas of government rates and charges, there are concessions for the elderly.

Mr PAUL McLEAY: Do you also have a view of the current situation about commercial insurance, which pays a far higher premium than residential? Under your proposal for the rates base, do you also believe that commercial or farming properties should pay higher rates than residential?

Mr GLASSON: I do not know, and I think you would have to do several models. Certainly I do not have the expertise to even suggest what the final model is going to be. But I think the bottom line is that it has to be fair and that everyone contributes.

Mr DIXON: And also remember that most of your volunteers are coming out of the rural areas, too, so they are contributing a tremendous amount personally, anyhow.

Mr PAUL McLEAY: Are they residents, though?

Mr DIXON: Yes, they are residents, but a lot of them are farmers.

Mr PAUL McLEAY: Are you suggesting a discount?

Mr DIXON: Yes, just remembering that you are saying that you will raise your levy and make them all equal. You have got an area of land that is not productive, it is just that most of our communities come from farmers and people employed, so you have got to remember that they are putting a big effort into it. If you are going to put your rates up, it is going to be pretty tough on them to expect them to pay extra rates plus man all the services.

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CHAIR: How can you argue that when you have not put in submissions stating that you should have a decreased levy with the current insurance base?

Mr DIXON: I suppose I have not put anything in on it, but it was just that as we were going along, I was trying to bring it to the notice of everyone.

Mr PAUL McLEAY: Do you think there should be a provision that, if the current system was to be maintained—whether or not it is amended—for those who actually participate within the Rural Fire Service there should be provision for discount in the levy for insurance payments?

Mr GLASSON: Again, I think it is a model that should be looked at. No doubt your Committee will have several recommendations, one of which could be to look at that. Darval and I in this recent fire event were both involved on 20 December and we went right through until mid-February. We used our private vehicles extensively. We were on the fire line seven days a week, yet we still have businesses to run. We have put in a tremendous commitment, financially and physically, and if another fire event was to occur this summer, I do not think that we could afford to have that same commitment.

Mr PAUL McLEAY: That is why I am asking this. Do you think that there should be a capacity to give firefighters a discount in that way? In answering that, particularly as group captains, you might be able to assist us. We have figures that show we have up to 75,000 Rural Fire Service volunteers. Do you think there should be a differentiation between—you might want to choose other words—active versus non-active, or firefighters versus associates?

Mr DIXON: It would be hard to police, would it not?

Mr GLASSON: Normally when you are a member of something, you pay a subscription to become a member. In the Rural Fire Service, as you have suggested, you do have various different levels of commitment. Quite frankly, when a major incident is on, it is very handy to have everyone involved because there are different levels of skills that you can utilise. Probably it is not under the charter of this Committee but it has been suggested that maybe under section 44—and the Committee would be aware of what a section 44 is—volunteers receive some remuneration. The reason for that is that you are fighting next to someone who possibly is on double time or triple time. Certainly on Boxing Day I was standing next to the police sergeant. At four o'clock he was on triple time. He flew in a helicopter. I supplied my own vehicle. At times, those things do hurt. But as I said, I am not sure whether it is this Committee that makes that decision.

Mr DIXON: On rough figures, it was worked out that at Rocky Plains, which is one of our brigades, man-hours wise at \$20 an hour, there was \$1.2 million worth of volunteers' labour that went in there. That was donated, and that was over the whole period.

CHAIR: That was a very admirable effort. I think the whole Committee has that view. I just want to get back to the questioning. I am pleased that you have turned your mind to the concept of motor vehicles, or mobile property as some people like to classify them. You suggest a levy on that. Can you explain your thought processes there?

Mr GLASSON: I think the main thing is that is we live in a high tourist area and for example around the lakes—Jindabyne and Eucumbene—the Snowy Hydro has to do patrols on total fire ban days and so forth. These people really are not contributing to that area directly through rates or anything like that, or insurance as under the present system. They may not be insured at all, yet we are having to provide a service.

CHAIR: To those vehicles, should there be an accident?

Mr GLASSON: To those vehicles, yes.

CHAIR: But are you the primary response group?

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Mr GLASSON: Not for motor vehicle accidents [MVAs] in total, but they will have camp fires on a total fire ban day. Someone has to deal with that problem.

Mr PAUL McLEAY: Do you propose that different levels of vehicles should be charged different rates? For example, should a small, passenger, family car pay one levy, and a large commercial vehicle pay a greater levy?

Mr GLASSON: It would be a modelling thing, not knowing the number of cars registered in New South Wales I would suggest maybe 50¢ or \$1.00 per vehicle. Until the models are done, it is foolish to suggest figures.

Mr PAUL McLEAY: Is it appropriate that there should be different classifications of levies for different vehicles? Should there be one rate?

Mr GLASSON: The keep-it-simple process is a pretty good standard.

Mr PAUL McLEAY: You suggest a single fee?

Mr GLASSON: Yes, a single fee; but I am guessing, I cannot commit myself to that until we see the models.

CHAIR: The Committee has been told that many councils contribute more towards fire services than they are statutorily required to collect. Many of us see that in the areas we represent and we have certainly been told about that by different witnesses. Do you think removing the fire services levy from councils may lower their voluntary contributions to the local fire services? Do you think that would lower service levels? At the moment they are forced to pay a certain amount.

Mr GLASSON: At the moment councils pay 13.3 per cent. In September 2003 the Snowy River Shire has a commitment of \$111,000; that is not its choice.

CHAIR: If we took this away, would you still be as committed?

Mr GLASSON: Yes. Through the restructure of the Rural Fire Service, council still represents people in its area. The volunteers are represented by council—again this is digressing—but in some ways it is unfortunate that the Rural Fire Staff at a local level are State employees rather than council employees, because we have removed that local contact to a degree.

Mr JOHN TURNER: Yesterday the Rural Fire Service Volunteers' Association gave evidence to the Committee that it would like to retain the insurance-based model. Do you have any comment on that?

Mr GLASSON: Firstly, neither of us are members of the Association. I have never been a member, would not know how to become a member. I do not know how effective that organisation is outside the higher population areas. Perhaps if they have an opinion such as that, they should go right around the State. Maybe they have not done that.

CHAIR: The Committee thanks you for your attendance today.

Mr GLASSON: Thank you, and we will wait with anxious breath for your recommendations. There is a lot of room to move in. It is important that the Committee hears from the grassroots as to what is happening or not happening with money. We have major problems.

(The witnesses withdrew)

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LEONARD WILLIAM TOZER, Café Proprietor, Mayor, Gundagai Shire Council, Post Office Box 34, Gundagai, and

GRAEME ARTHUR JOHN TICKNER, General Manager, Gundagai Shire Council, Post Office Box 34, Gundagai, sworn and examined:

CHAIR: Thank you for appearing before the New South Wales Public Accounts Committee. The Committee has received a submission from you. Is it your wish that that submission be treated as part of your sworn evidence?

Mr TICKNER: Yes, thank you.

CHAIR: Would you care to make an opening statement.

Mr TOZER: Thank you for the opportunity to represent the views of the Gundagai Shire Council, with regard to the New South Wales fire services funding and the possibility of making some alterations. Gundagai Council fully supports the proposal, but sees local government, State government and insurance companies removed from the funding provision for fire services. It makes sense to fund the fire service by a property levy on all property and a vehicle levy, because all persons have the potential need to utilise fire services for the protection of life or property. Both fire services attend a significant number of motor vehicle accidents in the Gundagai shire, particularly on the Hume Highway.

Currently not all persons make a fair contribution to the provision of fire services, especially those not insured or underinsured or with offshore insurance. A property levy and a motor vehicle levy are relatively simple to administer, easily explainable, can be collected with the existing Roads and Traffic Authority and local government infrastructures and are transparent. People would be able to see how much they are paying for fire protection. Gundagai Shire Council feels that it is contributing to an ever-increasing bureaucracy over which local government has no control. For example, in 1997-98 the Rural Fire Service included nothing for wages, as the fire control officer was an honorary position; whereas in 2003-04, \$161,000 of our budget, representing 29 per cent, is for salaries and associated Rural Fire Service employee costs.

The provision of fire services is vital to our communities, and we are certainly not advocating that local government be fully removed. We hope to achieve a more equitable, beneficiary-based funding arrangement, which would then allow councils to focus on the delivery of the service. Removal of budget considerations would allow Gundagai Shire Council to work with the volunteers and town brigade to co-ordinate response and operational issues without the overriding budget concerns that currently exist. Particularly with the Rural Fire Service [RFS], the consideration of its budget creates real conflicts between the volunteers, the Rural Fire Service and Council, and has the potential to undermine the volunteer system.

Council cannot afford more equipment, but the RFS places more demands on the volunteers while it spends more of individual councils' budgets on centralised administration. The RFS costs dominate the budget, however local government has no control over those expenditures. Little, if any, accountability is provided to local government for fire service expenditure, although efforts are made to justify costs. There is no local government discretion over the Board of Fire Commission's expenditure and very little over the RFS. However, councils are still required to meet their contributions. There is no other local government activity in which the community has no control over costs.

Gundagai Shire Council sees the provision of fire services as no different from policing or ambulance services. The Council has an important role to play in the delivery of these emergency services, but should not have to help fund their operation. I stress that fire protection service delivery is not an issue in the Gundagai shire. We have excellent volunteers and retain firefighters who provide a magnificent service. However, it is only a matter of time before the existing service will suffer if local government continues to be required to contribute to the funding of fire services.

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CHAIR: Do you wish to make any further comment?

Mr TICKNER: No, thank you, Chairman.

CHAIR: If we moved to the property base system, as you suggest, what would be the added benefits for our ratepayers?

Mr TOZER: We certainly would be in a position to give greater service to them, if we did not have to go around collecting increasing amounts of money to cover a contribution to the Rural Fire Service. It is a major problem, and with our town brigade there is an ever-increasing amount having to be contributed to the general fire protection.

Mr PAUL McLEAY: One of the models we have looked at simply shifts the insurance companies balance to a rate-based system. It does not mean ratepayers only, it is ratepayers plus a share by local government. Would there be any advantage in that?

Mr TICKNER: Spread across the rate base?

CHAIR: Do you think the Council should pay a levy if it goes to a rate base on their land?

Mr TOZER: I would think we would have to pay a levy.

Mr TICKNER: Provided that we are not contributing the 13.3 per cent as well. That is the main concern for us.

Mr PAUL McLEAY: It is purely the fact that you are contributing the 13.3 per cent. You do not mind whether it is collected through insurance companies or a rate base, as long as you do not have to pay the 13.3 per cent. Is that the basis of your submission? Or is it that we change to a rate base and that would include absorbing your contribution?

Mr TICKNER: Our contribution and the State Government's contribution, yes.

CHAIR: Did your Council provide any input into the discussion paper and submission of the Local Government and Shires Associations?

Mr TICKNER: Yes, a significant amount at the G Division conference, held in Gundagai in February.

CHAIR: Could you outline the process of getting the overall submission from your peak representative body?

Mr TICKNER: The paper was prepared by both associations, I believe. It was circulated and debated through our divisional conferences across New South Wales. From memory, it was unanimously supported at G Division. We believe the proposal would work and would give better service. It would be as equitable as taxes can be and a better equitable cost structure.

Mr PAUL McLEAY: What do you see as some of the outcomes of that? For example, would you expect a reduction in insurance premiums?

Mr TICKNER: Absolutely. If that does not happen the consumer has lost totally. I hope that existing structures would be in place to do that, albeit by IPART—sorry for the acronym.

CHAIR: Maybe not the IPART, it is a State body, but APRA and ACCC, to use other acronyms.

Mr TICKNER: Yes. I would have thought that those checks and balances would already exist.

CHAIR: Although the State Government has had difficulty in getting them to act on other areas of tort reform.

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Ms GLADYS BEREJIKLIAN: That is not relevant.

CHAIR: Your submission raises concerns about councils paying salaries for Rural Fire Service personnel. Why has that increased so much?

Mr TICKNER: There are a couple of reasons. When I was originally a fire control officer it was an honorary position. So my summers were spent basically alongside the phone. That clearly was not working. We needed to go to the next step to become a little more professional. Council appointed a part-time fire control officer, which meant that we had someone during the peak fire season and for some of the time during the winter to do some clearing. He would then go off to run his farm. We have now been put in a position where that staffing is now the equivalent to two full-time positions in our shire. We are part of a zone of six across three council zones, which is why it has increased so much.

CHAIR: The Committee has heard evidence that levies should be applied to motor vehicles. Do you have your view on that?

Mr TOZER: I certainly do. Being on the highway, a lot of our fires are started on the highway through motor vehicle accidents. We probably have more motor vehicle accidents than virtually anywhere else on the Hume Highway. We still have single-lane sections. Not a week would go by without some emergency service being called to an accident, whether it is the local brigade or the Rural Fire Service. They seem to be there on a regular basis.

CHAIR: Do you think that the owners of certain vehicles should pay a lower levy than the levy that is paid by other people, or should everyone be charged a flat levy?

Mr TOZER: It is my opinion that heavy vehicles and interstate transport should pay a larger levy because they contribute greatly.

Mr TICKNER: However, you would want to keep it fairly simple so you would need a two-tier structure. The fire services attend even if there is no threat of a fire. They are the back-up support for our rescue unit. Our rescue unit will not start ripping cars apart unless they have proper protection. I checked with our town brigade captain and he estimates that 40 per cent to 50 per cent of their calls are to motor vehicle incidents.

CHAIR: Forty per cent to 50 per cent of calls are to your town brigade?

Mr TICKNER: That was an estimate off the top of his head. I asked him that question in passing. I suspect that a couple of our Rural Fire Service brigades would have similar statistics, or at least the ones that adjoin the Hume Highway.

CHAIR: Would your captain have statistics on that?

Mr TICKNER: I believe that our own fire control officer has.

CHAIR: Would you take that question on notice and ask your captain, on behalf of this Committee, to supply those figures?

Mr TICKNER: Yes.

CHAIR: Do you have any views on the issue of volunteers receiving discounts or exemptions if a property levy were introduced?

Mr TOZER: I do not think that the average volunteer would want a discount. Volunteers are there to protect their own property. I may be wrong but this is a personal opinion. From what I have seen with our local volunteers they are there because they are farmers. We have a unit that is in our town that assists them, but I am quite sure that they would not be looking for too much discount, even though quite often they may be working next to a person who is being paid a wage.

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Mr TICKNER: Without having done the modelling I suspect that the ability to pay would be taken up by the land values, if we went to that system. Given that land value tends to equate generally to the socioeconomic ability of people to pay, the lower land value tends to attract people with a lesser ability to pay.

Mr PAUL McLEAY: Should those valuations be based on the improved or unimproved value of land?

Mr TICKNER: We used a figure that the Valuer-General calls land value. It would not make a difference because the land value tends to equate to the value of land and it would tend to equate to the ability of people to purchase that land.

Mr PAUL McLEAY: What about residential and commercial properties? Should they be levied at different rates? I think you have four categories: residential, commercial, farming and mining. Should there be different levies for the fire service levy on those four categories of property?

Mr TICKNER: Yes.

MR PAUL McLEAY: In which hierarchy?

Mr TICKNER: Basically the same way as is structured in the Local Government Act for farming. Basically that is because the land values will be huge for residential and commercial properties. We do not have mines.

CHAIR: What role, if any, does your Council wish to see local government play in the provision of fire services?

Mr TOZER: We still want to be part of the scheme as such—a go-between with our volunteers. They are there to protect their land but they are also there to protect everyone's land in the shire. So we would certainly have a commitment to them.

Mr PAUL McLEAY: If they were in a structure that was not controlled by the local government area do you believe that there would not be as much desire to participate if they were told that they were to be part of a government volunteer service?

Mr TOZER: If you said that 12 months ago I would have said yes, but having sat back and watched how the system has been working, I would say no.

Mr TICKNER: I would agree with that. We are in a terrible position at moment. We really want to get out and work for the volunteers so that we can get them more resources, but if we did that it would blow our budget right out the water. The councils are torn between two loves. If we can get the funding we can then work towards ensuring that they are properly resourced, that they can work together and that they are co-ordinated.

Mr PAUL McLEAY: You mentioned in your opening statement a figure of about 30 per cent. Did that relate to the proportion of your fire services budget?

Mr TOZER: That was the wages.

Mr PAUL McLEAY: Was that a proportion of your fire service budget? How much of the Council's budget goes to the fire service levy?

Mr TICKNER: The figure that the mayor mentioned was the proportion of the wages in our Rural Fire Service budget. The proportion of Council's overall budget to the fire service levy is \$60,000 in \$5 million, whatever that equates to. That amount has gone from about \$13,000 10 years ago to \$60,000.

Mr PAUL McLEAY: Do you not mention a figure of \$147,000 in your submission?

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Mr TICKNER: It mentions \$147,000 as wages. I had a recheck on preparing some notes. I had missed about \$29,000 worth of it.

Mr PAUL McLEAY: So is it \$60,000 plus \$140,000?

Mr TICKNER: No, sorry. The \$60,000 is the Council's 13.3 per cent contribution for this year.

Mr PAUL McLEAY: Then you pay an additional \$100,000?

Mr TICKNER: No. The figure that the mayor mentioned, \$160,000 odd in wages, is what the Rural Fire Service staff are paid by the State Government. Of that \$160,000 our part of it would be the 13.3 per cent. The \$60,000 or \$70,000 that I was referring to is Council's ratepayer's contribution to the fund for the full year.

CHAIR: Do you budget for any more than your 13 per cent, or do you think that that amount is enough or that it may be too much for you to afford?

Mr TICKNER: It becomes very difficult to afford, but fortunately Council has been able to afford it to date. Council has budgeted for what it can afford. It becomes very difficult. Council has just had to adopt its budget for 2004-05. There are two unknown figures in that budget—the Rural Fire Service wages and the program charges. They will probably tell us next September, if this year and last year were any indication, what we will get. We have gone through our budget process for March next year. Council has already locked in the figure, which is not negotiable come budget time. That is what is making the process very difficult and that is why there is this conflict.

Mr PAUL McLEAY: What is the cost to Gundagai Shire Council for all your fire services?

Mr TICKNER: For 2003-04, the Rural Fire Service contribution is \$69,600 and the Border Fire Commission contribution is \$16,400. The amount of \$86,000 is our total contribution.

Mr JOHN TURNER: Over and above that Council will then say, "We will buy equipment."

Mr PAUL McLEAY: So where does the \$160,000 come from?

Mr TICKNER: Those are the wages. That is expenditure over which we have no control. That is the point we are making.

CHAIR: Thank you very much for attending before the Committee today.

Mr TOZER: Thank you for the opportunity to be here. We look forward to a good result.

CHAIR: I look forward to your comments when we send out the draft.

Mr TICKNER: You are guaranteed that you will get them. It is vital to our shire.

(The witnesses withdrew)

(Luncheon adjournment)

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KARL CHARLES GENTNER, General Manager, Jerilderie Shire Council, 35 Jerilderie Street, Jerilderie, 2716, sworn and examined:

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

Mr GENTNER: As General Manager of Jerilderie Shire Council.

CHAIR: Do you want your submission to form part of your sworn evidence today?

Mr GENTNER: Yes.

CHAIR: Do you want to make an opening statement?

Mr GENTNER: Yes. The views represented in the report are basically the views of Council and our rural fire fighters. We understand also that other views may be better or worse but our views are what we consider to be the best at this point in time. We are located on the Newell Highway just at the start of Kidman Way which is a fair distance from here. Today I enjoyed the trip to Queanbeyan and saw a lot of New South Wales. We have developed a rural fire zone with five other councils: Deniliquin, Conargo, Murray and Wakool. We believe it is probably one of the first of that size in the State. We also believe it is the first to have two operational sub zones. We have been proactive in looking at our firefighting services, and in the same vein we have looked at this particular submission for fire service funding.

It is our understanding that at present for each council district, the Rural Fire Service develop a funding bid that is reviewed by the Rural Fire Service and developed through the State's funding process. The bid is then presented to Council for consideration as it funds approximately 13.3 per cent. Every time Council requires explanation of that particular bid. It may adjust it up or down, depending on which are the main priorities within the Council's global budget process. The agreed Council local budget bid is then referred to the Rural Fire Service and goes to the State Government for overall approval. Again, the State, as we believe, contributes about 13 per cent. The balance, approximately 74.7 per cent, is then sought from the insurance industry.

This method of budgetary approval has many problems, the main one being the time delay for approval and the inflexible nature of the process. Furthermore, councils are placed in a position of determining a budget with, in many cases, not being able to have the previous year's allocation approved. The process uses the funds from council to maintain the day-to-day expenditure requirements and then virtually reimburses the council for that expenditure at a later date. In other words, we are pre-funding a particular service. In this day and age we do not believe that is probably the best way to go, particularly if you are looking for effective and efficient measures.

The current funding base may not be the most appropriate because it requires a major amount to be sourced from the insurance industry—that has inherent problems and it appears that the insurance industry also does not know how many contributors it has at a particular point in time until all the policies come back. There is that major problem of time delay and that delays the budget process. The revenue base should be reviewed with the intention to reduce the timeframes for the budget process and make the revenue component more equitable.

In our opinion the Rural Fire Service provides fire services within the State for up to about 93 per cent of the State and has a total budget of approximately of \$125 million. In the financial year 2003-04, the State puts in approximately \$16 million or 13 per cent. These figures may slightly vary because our information may be out of date. Jerilderie Shire Council has a \$460,000 fire service budget with approximately \$130,000 being labelled as program charges. It is our understanding that these program charges are basically referred back to the Rural Fire Service for the overall operation of the central administration. We do not comment whether that is good or bad, we just say that is what happens at the moment, but that leaves us with an operational budget of about \$330,000 per year. In that we have one local tanker built.

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On today's price a local tanker built costs about \$160,000, so that leaves us with only \$170,000 a year for all the operations—repairs, maintenance—of the fire service. I mentioned a local tanker built, well at Jerilderie we actually build fire trucks. We are, I think, the only State or semi-State organisation at the moment that still builds fire trucks. We did have some insurance issues which we have come through.

CHAIR: Jerilderie Council builds its own fire trucks?

Mr GENTNER: We also built two for the Sydney fire service this year. We are actually doing that as a private venture. We are not in the business of making lots of money out of it. We are trying to get a good quality product, and maintain a number of employees who then have economic spin-offs within the town. The prime reason is for economic development. The other reason is to get our excellent workshops and new depot used properly, and to make some sort of contribution to the overall costs of Council. Whilst we are not making huge profits, we have built some excellent fire trucks. Two of them were built to the New South Wales Sydney standards. Both passed the quality assurance tests and I think we have another two or three on the go at the moment that we are tendering for.

That is \$160,000 and that includes a second-hand cab chassis with specific reference to the low mileage, et cetera, and the requirements of the Rural Fire Service. We believe that at today's price to get a new cab chassis and fit it out would be \$220,000. So at the end of the day Jerilderie Council has only \$170,000 left over to cover our ongoing yearly operation. Jerilderie Shire Council zone, which is one of five, has 13 brigades with associated equipment and various uses and standards, and they need to be maintained because I understand this year it will be fairly hectic for our firefighters.

The problems with the existing system of funding relate to the lack of flexibility in the system, time delays due prominently to the Rural Fire Service budget at present and remote regional management that is currently used within the Rural Fire Service. Our zone is controlled from Batemans Bay and Sydney and today I found out that is quite a distance just to get to here, let alone to Batemans Bay. We have quite a few ideas, and there are probably thousands of others, but we think a better funding base should be sought. Funding for fire services should be uniformly split over all properties at a set rate.

We believe that local government could play a role in that but again not as a part of the rating base but as a part of a separate commercial venture where we could physically go out and use an invoicing or debtor collection system to collect the amounts of money and pass them on to the Government for Rural Fire Service budgeting. However, we would expect to receive some sort of remuneration for doing that. We would look at it as an extension of our private works program. The reason we cite that is because we do not believe it is fair to muddle it up with rating, and get that incorporated in the greater community as just another increase in council charges on rating when it is really something totally separate, and should be seen as a separate item.

CHAIR: In saying that, does a separate item mean that the levy would be sent out on a different mail-out or piece of paper, or would that be incorporated as a separate line item to your existing rate notices?

Mr GENTNER: Our preference would be as a separate item completely, but in the worst-case scenario as a separate item on the rate notice. But we would like to see it completely divorced from the rate notices.

Mr PAUL McLEAY: Why is that?

Mr GENTNER: In our case, we do not want that to be construed by the general populace that it is another charge or burden by local government. I think it gets back into all sorts of arguments about cost shifting and things like that which local government believes, either fairly or unfairly, has been pushed down from other levels of government. We would want to see that as a separate private works initiative. In our case we are quite happy to provide those services but we would also expect to be remunerated for those services. That would mean a debt collection service plus collecting the money and then moving it straight onto government so that government can have this line item in with

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the State appropriations, and actually get the money quicker to the fire services. That is the whole intention of it.

Mr PAUL McLEAY: You make reference in your submission to rationalisations and reducing duplication. Surely your argument would then be to duplicate a billing system, would it not?

Mr GENTNER: No, it would be part of our billing system, but separate. At the moment we bill various other areas, and it is just that rates is another component of it. All we would expect the fire service levy to be would be a separate item. If not a separate item, the worst-case scenario would be as part of the rates as a separate item. We just do not want it sort of to be construed by our customers that it is just another local government charge levied on them for no local government service.

CHAIR: We understand your concern in so far as perception goes, but as far as practicality of your ratepayers, they have to deal with four rate notices now and they are looking at a fifth one under this proposal. We heard evidence this morning from another council that it will probably incorporate it in their rate notices because it is simpler for the end user, as long as they make it quite clear what it is actually for.

Mr GENTNER: I understand what they are saying and certainly that is not our best option. All I am saying is that our best option would be to have it separate.

CHAIR: If there was to be a separate notice, would not the Office of State Revenue be a better central agency to do it for the whole State rather than having it done throughout the councils?

Mr GENTNER: I am not quite sure if they have got the local contacts and local ability to get out in the world and into remote areas. You see, what happens in the rural and remote areas is that it does not matter what level of government a particular person has an issue, concern or query with, their first call is on the local government in their area, or the council in their area.

Mr PAUL McLEAY: You would be happy to put your local government logo and other associated letterhead and identification on stationery to collect this bill, and you think that you would be able to say that because it is not on the rate notice, your ratepayers would be able to make that distinction?

Mr GENTNER: I think they would. Our understanding is that our ratepayers are quite sensitive and are quite up with things. Their knowledge base is quite high. Whether that appears across the State, I am not quite sure; but in our particular case, the knowledge of our ratepayers is quite good.

Mr PAUL McLEAY: I do not doubt the sophistication of the good residents of Jerilderie. If you are going to be the service to get this revenue, it is going to be identified with you. Why do you think there is an advantage in putting it separately? Is it purely a political perspective, considering that you say they are sophisticated and knowledgeable?

Mr GENTNER: We have argued strongly against cost-shifting arrangements and we have also been very proactive on some cost-shifting arrangements. We just believe that we need to identify all these particular items that get pushed onto local government and to have them isolated and say that they are not a specific function of local government, so that people understand quite clearly that we are doing a private works function. It is just like the fire trucks. It is not a function. It is not a core business of Council. However, we do that for various reasons and the same thing applies for this particular thing. Yes, we would be quite happy to provide the services, collect the moneys and then send the moneys on, on the basis of getting a fair return for that service. We believe the network of the government would be far greater at this stage than any other agency that is in the State.

Mr PAUL McLEAY: So you are saying that in a worst-case scenario, you would like it as a separate line item. Do you currently have your fire service levy separate?

Mr GENTNER: I am not quite sure. I have only been in the Council for 12 months, coming from south of the border.

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Mr PAUL McLEAY: You are not a ratepayer then?

Mr GENTNER: No, unfortunately. But I soon will be, I hope.

CHAIR: Come to the Premier State.

Mr GENTNER: It is a good place—a very good place.

Ms GLADYS BEREJIKLIAN: In your submission, at the first dot point you relate to your preference about having what I assume is your first preference, that is, to have the levy come out of consolidated revenue as opposed to the alternative system. That appears to be your first preference. You have outlined a number of options in your submission.

Mr GENTNER: Yes.

Ms GLADYS BEREJIKLIAN: But is that correct?

Mr GENTNER: That certainly is correct. In the detailed submission, it actually tells you the reasons for that. What we are trying to do is build some incentive into budgeting schemes, particularly at the decentralised level where the actual funds are needed for maintenance and repairs at a quicker and faster pace. We have tried all sorts of safeguards and that does happen when you have a State Government appropriation and/or local government funding base, whereas maybe at the local level that may not be seen to be fair at this point in time. What we are saying is get an appropriation in up front, get the budget process moving from a reimbursement situation to an actual up-front basis, and any incentives we are hoping to put back into the system.

For example, the allocations should be given to the areas on specific terms but allow them, if they are making savings, to retain some of those savings. We are not suggesting all savings, but it may be that in the budgeting process there is a quid pro quo of a certain number or percentage returned because of excellent management practices along the lines of some of the ones we have initiated here. For example, instead of having one fire truck built per year like we have, let us go out and outsource and get 15 fire trucks, bring them up to a certain speed and lease them over the 15-year period. There are all these sorts of incentives that we have actually detailed in this particular submission that I have given to you today which gives you more of the detail as to why we have made those statements.

Mr PAUL McLEAY: Can I take you to the first submission we have. You talk about the revenue to be collected by local government that could be on a user-pays basis for a small administrative charge. What do you consider—I am not going to hold you to it—would be an appropriate small user charge?

Mr GENTNER: Well, the catchcry is always user charges. I understand that most organisations have what they call an administrative charge, which I do not think is quite appropriate. You really ought to get down and have your costs identified so that you can clearly identify on, say, a costs neutrality basis what your taxes are, what your work covers are, and come up with a reasonable cost that would be competitive in a market situation.

Mr PAUL McLEAY: Would you have any estimate of what that might be?

Mr GENTNER: If you ask me, I would say it would be in between anything from 12 to about 15 per cent, maybe 18 per cent.

Mr PAUL McLEAY: Per cent of what?

Mr GENTNER: Of the actual costs.

Mr PAUL McLEAY: We have heard evidence from Treasury that would say that the cost to local government of collecting could be as low as the cost of the print on the rate notice. Would you agree with that?

Mr GENTNER: No.

CHAIR: In your submission you raise the issue of a property-based levy, depending upon capital infrastructure on the land as opposed, I suppose, to an improved capital value. Can you explain in more detail what your Council is referring to in that line that states, "the operation of this proposed model"?

Mr GENTNER: It is very difficult. We believe that there are so many different models that can be chosen from, and really the buck would stop with Parliament actually determining one which best seems to fit. But what we are trying to do is get a level playing field in something which is not level, and that is very difficult. We were thinking that some sort of an indexation of capital improvement versus just plain land, and maybe even putting in some indexation of the relative fire dangerousness of that particular area as compared to other areas located in New South Wales, and again the population structure of that particular area as well. It is very difficult.

I know it is easy to put in those sorts of comments in a submission, but when you get down to the detail it is very difficult to work out something that is fair and equitable. All we know at the moment is that the main issue is that it is not equal at the moment. Foreign companies, so called, to New South Wales get a free ride. There is no ability to have a catch-all category at the moment because you have got a private sector here collecting 74 per cent of it. What we have tried to do is get resources and put it back into the Rural Fire Service [RFS] and ensure that the RFS protects the ratepayers.

CHAIR: Should the Committee recommend a property-based levy, as you are supporting, should Council and the State Government be paying a levy on their land?

Mr GENTNER: My personal view is, yes.

Mr PAUL McLEAY: Can we turn to your submission, which we received on 7 October. In your second dot point you make reference to whether the land is owned by a foreigner. What do you mean by that?

Mr GENTNER: A person who resides or who has a company address outside of New South Wales.

Mr PAUL McLEAY: Would you allow for any exemptions?

Mr GENTNER: No, but that again this my personal view, and it is something that makes your job so difficult. You have all these different variables within a level playing field and you are trying to get it back into a level playing field.

CHAIR: The definition of "equity" is very difficult.

Mr GENTNER: Very much so. But all we know at the moment is that it is not equitable. Whatever is clawed back would be seen, on our view, as an advantage and a benefit.

Mr PAUL McLEAY: Do you currently have exemptions or discounts for pensioners?

Mr GENTNER: Yes. We also do for people who are suffering hardship. We have just gone through the worst drought in 100 years. We look at each individual case, if there is an issue.

Mr PAUL McLEAY: Would you look at provisions for collecting the fire service levy which provide exemptions or discounts there?

Mr GENTNER: In the same way. I would think we would do that in the same manner. There is always a case for someone who has genuine hardship. I believe that needs to be recognised. I think our Council would totally support the view, and we actually practise that.

Mr PAUL McLEAY: We have had evidence that it is the view of some people that those who are active volunteer firefighters should receive a discount, if it was put onto a rate model based on compulsion. Would you support that?

Mr GENTNER: That is a difficult question. We suggest that there should be one fire service and fixing the budget process. We have suggested that this is the first step, have just one fire service. In our documentation you will see that that is what we are trying to achieve. We believe that the fire service is a bit fragmented. We have done our best over a number of years to be involved, to be proactive in ensuring that our firefighters understand very clearly what we are putting up on their behalf. This submission was discussed by them before it came to the Committee. We are very keen to ensure that our firefighters understand, because at the end of day they are risking their lives for the livelihood of our people. Unfortunately, where we come from we are heading into the fire danger zone—and the fastest fire ever in the world, about 25 kilometres an hour, was clocked through the grass many years ago. The firefighters out our way are becoming very concerned at the moment.

CHAIR: You said that the current system is not equitable. Is that because the current system does not give discounts for pensioners or is it because there are some freeloaders who do not pay insurance, and therefore that is picked up by the general community? Why is it inequitable at the moment?

Mr GENTNER: The best words to use are that it is not uniform. It segregates groups, people, and various areas and does not take into account hardship or areas where there are concerns. It is quite easy, if you go through the insurance system model at the moment, to stay out of that system, but still get the services. That is unfortunate.

CHAIR: By not purchasing insurance or insuring offshore?

Mr GENTNER: Both.

Mr PAUL McLEAY: The current system has different rates. When you say it is not as equitable as possible, there are different rates for commercial and residential insurance. Would you support a rates-based system, so that commercial ratepayers pay a much higher premium than residential ratepayers? If so, would there be any other brackets of groups?

Mr GENTNER: Again, I think we would support something like that. We would have to see the detail of the model. It is quite understandable when you have a higher fire danger such as a chemical factory or tyre factory, you would expect other specific requirements not just fire levy requirements, but not for the person next door with just a vacant block. Whatever model is adopted, there needs to be some sort of balance that people can see. The model needs to be structured in some way to take into account, for example, rural pastures as compared to an industrial area with chemicals, or an ordinary residential area.

CHAIR: So they should be different?

Mr GENTNER: Yes. But we do not have the model, we are looking forward to seeing what comes out of the structure.

CHAIR: Should cars and trucks be subject to a fee?

Mr GENTNER: Do you want a council view or a personal view?

CHAIR: Council's view.

Mr GENTNER: I will give my personal view first, and that is yes. The Council's view is that it may not support that. It is something that needs to be considered but, again, I am very wary that the overall tax bucket is only so full. We are creating more and more taxing structures and they tend to have inherent costs to feed themselves.

CHAIR: If the Committee were to recommend a levy on motor vehicles, considering that they require fire services in a variety of percentages, and we have heard between 20 per cent and 40 per cent, who should that collection agency be? Should it be the insurance companies or the RTA?

Mr GENTNER: The RTA, on a similar basis as why we believe local government should be appropriate for property collection.

Mr PAUL McLEAY: In your submission you state that a review of what is happening in other jurisdictions and/or overseas should be undertaken to find the best and most efficient revenue model. Have you looked at others? If so, do you have any preferred models that the Committee could look at? Do you think any of those could be used in New South Wales?

Mr GENTNER: I am aware of others, I do not have detailed knowledge of them. That is a very important step in the process, and this Committee should be well aware of what is available overseas, what the trends are in relation to the insurance and/or firefighting services, and whether there is an appropriate model, given our topography, that may suit and give us a far more equitable approach.

(The witnesses withdrew)

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LESLIE FRANCIS HART, Mayor, Tallaganda Shire Council, 144 Wallace Street, Braidwood, and

ALAN JOHN STEWART, General Manager, Tallaganda Shire Council, 144 Wallace Street, Braidwood, sworn and examined:

CHAIR: Mr Hart, what is your occupation?

Mr HART: I operate a supermarket, and I operate a small property.

CHAIR: The Committee has received two submissions from you, is it your wish that both documents form part of your sworn evidence?

Mr HART: Yes.

CHAIR: Do you wish to make an opening statement?

Mr HART: Tallaganda Shire Council appreciates the opportunity to provide comment into the Committee's review of fire services funding, though, unfortunately, we have not been able to devote the attention we would normally give to the matter, because of unfolding issues in the region associated with structural reform. For many years, local government funding arrangements for the operations of the New South Wales Fire Brigades, and particularly the Rural Fire Service, have been of concern to Council. Council's contribution to both services has continually increased annually more than the level of rate pegging. This increase became of such concern that, when Council entered into the service level agreement with the Rural Fire Service commissioner, the agreement provided for a capped contribution of \$67,000 per annum, which allowed an annual allocation of \$503,700 for the operation of the service within Tallaganda Shire.

However, as the general manager will indicate, the funding arrangements associated with the operation of the service effectively mean that he has had difficulty in confirming to Council that this cap was not exceeded. Though the Rural Fire Service always argues, in relation to any new equipment or costs, that Council is contributing only 13.3 per cent of the allocation, it is worthwhile putting the allocation into some perspective. Expenditure from Council funds on the maintenance of rural roads is only \$600,000, Braidwood water supply only \$260,000 and domestic waste operations only \$210,000. Council embarked on an extensive program of upgrading bushfire equipment sometime ago, and felt that once the upgrade was completed its contribution would decline. This has not occurred, in large part because of the significant increase in the cost of other program charges, which currently are in the order of 45 per cent of Council's allocation and which, not so long ago, were in the order of 25 per cent.

Tallaganda Shire Council believes that the current fire services funding arrangements are inequitable. The cost of operation of both the Rural Fire Service and the New South Wales Fire Brigades are effectively met only by ratepayers and by those who insure their property. Volunteers from brigades in Tallaganda shire are now increasingly being called out to traffic accidents and effectively it is Council's ratepayers and those paying the fire service levy on property who are meeting those costs. That is a further inequity. Owners on non-rateable properties do not contribute to the cost of operations of both fire services. Obviously, those who do not insure property are also not contributing to the fire services. As a consequence, the burden falls to ratepayers and those who insure.

Tallaganda shire would support a valuation-based property levy model augmented by a flat levy on motor vehicles, as proposed by the Local Government Association of New South Wales and the Shires Association of New south Wales. Though acknowledging administrative difficulties in not basing the levy on land values, Council's view is that the levy in rural areas could vary depending on the size of holdings, with certain property size thresholds established. Council-owned and government-owned land, such as that administered by the National parks and Wildlife Service and State Forests, should be levied on a comparable basis. We also have a large proportion of Sydney Catchment Authority land in our area. Tallaganda Shire Council believes that the State Government should collect the levy and not local government, even though it has been proposed in some quarters that local government could be paid a commission for providing that service.

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Mr STEWART: I will deal, basically, with bread and butter issues as far as on-the-ground staff in the office, regarding administrative arrangements for the Rural Fire Service. Current arrangements for local government funding of the Rural Fire Service are extremely complex. Probably Committee members would have realised that. As an example, Tallaganda Shire Council recently finalised its estimates for submission to the Rural Fire Service for 2004-05.

CHAIR: The Committee has taken your submission to be part of your sworn evidence, so it is on the record.

Mr STEWART: I just want to indicate that as far as the submission is concerned the Rural Fire Service is starting to reduce maintenance items well after the end of the financial year, which poses some difficulties on all councils in New South Wales.

Mr PAUL McLEAY: I refer to a comment that was made earlier by the mayor. You said that Tallaganda Shire Council would support a valuation based on a property model and augmented by a flat levy on motor vehicles?

Mr HART: Yes.

Mr PAUL McLEAY: Should the owner of a small family vehicle pay the same levy as, say, the owner of a heavy commercial vehicle or a petrol tanker—what the community might perceive as being a greater risk and something that might also require the provision of more emergency services?

Mr HART: Or they possibly could be categorised. That could be an alternative. They could be categorised.

Mr PAUL McLEAY: So you would not have an objection to that?

Mr HART: As goods or service vehicles as opposed to passenger vehicles.

Mr PAUL McLEAY: If there were to be a property levy do you think they should be different rates for commercial or residential properties and, for that matter, farming or mining areas?

Mr HART: I cannot think off the top of my head what we decided.

Mr STEWART: Council basically was trying to work out some thresholds so far as areas of land were concerned. I have no idea how that can be developed across New South Wales. Rural properties would be in a certain range depending on the area. They would be levied a certain amount and so on right across New South Wales. I guess it would depend basically on the likely fire risk to a property. That was the view of some of the councillors that we pushed.

Mr HART: We had a fair discussion about this matter. We have a large number of absentee landowners, which places more demands on locals. Those absentee landowners should have to contribute significantly to the services provided by locals who are there to put out the fires or meet whatever demands are placed on them in the event of a fire.

Mr PAUL McLEAY: What do you mean by absentees?

Mr HART: People live in Sydney, Canberra, or whatever, but they own land in the shire. Their land is more at risk than a property where the owner lives on the land.

Mr STEWART: We have 60 per cent of absentees in Tallaganda shire, which is a high percentage.

Mr PAUL McLEAY: You said that there was a lot of foreign-owned property and that you would want to capture those people as well. Do you have an issue with that?

Mr STEWART: It would not be an issue so far as we are concerned.

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CHAIR: With your proposed property levy would you advocate that the levy should be put on council-owned property and buildings as well as State Government-owned buildings?

Mr STEWART: Yes, I believe that would be equitable.

CHAIR: A levy on every piece of land?

Mr STEWART: Yes.

Mr HART: The risk is the same, no matter who is the owner or the tenant of the land.

CHAIR: You also mentioned in your submission the issue of insurance and people not contributing to the costs of fire protection. Would the counter argument not be that if you imposed a compulsory taking out of insurance you would not need to impose a property levy?

Mr STEWART: You would have to work out the maths.

Mr HART: I thought it was proven. In the case of the Canberra fires 30 per cent of people were not insured. Someone has to pick up the bill for those who are not insured. That is the same in any area. That is a grievance that has been expressed to me by land-holders who have their property insured. They say to me, "I have insured my property but my neighbour's property burned out and he is not insured." The community has to rally to help out that family. So insurance plays a big part in protecting your assets.

CHAIR: I notice that you said in your submission you do not think you should collect the levy on behalf of the State Government. Can you explain why not? If you were asked to do it would you expect to be given some sort of reimbursement by the State Government?

Mr STEWART: Yes, we would if we had to. From an administrative point of view, if it were based on valuation, Council could obviously do it. What was proposed here was based on the size of properties. Even though we might have that information it would take an extensive effort to generate the computer programs and so on that would be able to do that. That is why we have basically proposed that the State Government should recover the cost.

CHAIR: Some councils have argued in front of this Committee that they know their area best. They have the systems to actually work out who owns what and they would be the more appropriate body to collect the levy.

Mr STEWART: But that information comes to the Valuer-General's Department, although we do not have information regarding national parks and some churches and all non-rateable properties, such as schools and things of that sort.

CHAIR: So you would suggest the Valuer-General or the Office of State Revenue?

Mr STEWART: The Office of State Revenue, probably.

CHAIR: If this Committee were to suggest a property based levy and suggest that councils collect it on behalf of the State Government, what sort of fees do you think would be appropriate for you to charge the State Government to collect that levy?

Mr STEWART: I heard the previous speaker say 10 per cent or 15 per cent. I think that is being a little greedy. My view would be about 5 per cent or 7 per cent.

Mr PAUL McLEAY: We heard evidence from New South Wales Treasury to the effect that the cost of councils recovering the fire service levy would be as little as a line of ink on their rates notice. Would you agree with that?

Mr STEWART: It would be a bit more than that because we would require changes to software and things of that sort. There are various other issues such as banking the money, distributing

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it and sending it away. I think in the region of 5 per cent to 7 per cent would be reasonable without ripping off anyone.

CHAIR: Did you want to speak at all about your table?

Mr STEWART: I wanted to indicate the problems that I have. I do not know whether this has been presented in various other Committee meetings and so on. This is basically how the system works. These are Tallaganda Shire Council's estimates for 2004-05 to the Rural Fire Service, which we effectively lodged a few months ago. You can see a figure at the top of the table which represents expenditure for the year 2003-04 incurred by Council, effective in 2003-04 and that we will be claiming in 2004-05. As a result of recent changes there is a cost for other programs.

The Rural Fire Service has now indicated that, even though we pay it in the year 2004-05, in this case we can claim it back in 2005-06. So effectively, the whole Rural Fire Service budget extends over a three-year period. Council's finances are on an annual basis. It makes it difficult. Council has come to me and said, "We have not spent more than the \$60,000 or \$70,000 that we agreed with the commission that we would spend." There is no way in the world that I can indicate that. As I said, this is for next year, but those maintenance items that we are claiming may well end up being reduced and affect the previous year's figures. We spent \$90,000 rather than the \$60,000 or \$70,000 that we thought we would because Council was not reimbursed for the full amount that it spent on those maintenance items.

Mr PAUL McLEAY: If we changed it from local government and State Government insurance contributions to a property based system, would that change this costing system at all?

Mr STEWART: Yes, it would.

Mr PAUL McLEAY: If so, how?

Mr STEWART: Effectively, the money would just be collected in one financial year and expended in that one financial year. I think we would get an allocation for maintenance for that current financial year.

Mr PAUL McLEAY: On a proportion of what you have collected.

Mr STEWART: Rather than on the basis of reimbursement. We are playing catch-up all the time. That is the problem under the current system.

Mr PAUL McLEAY: Would you expect to receive more in return than you have collected, on a proportional basis?

Mr STEWART: No, I do not think so. I would expect that it would be as much and no more.

Mr J. H. TURNER: It could be inequitable in other areas where there are small holdings or small council areas. However, I will discuss that issue later with my colleagues.

CHAIR: We might leave it there gentlemen. Thank you for coming.

(The witnesses withdrew)

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KEVIN DAVID RHEESE, Director, Natural Disaster Management, Commonwealth Department of Transport and Regional Services, 111 Alinga Street, Canberra, sworn and examined:

CHAIR: Are you appearing in that capacity before this Committee today?

Mr RHEESE: I am appearing in that capacity.

CHAIR: Thank you for coming and speaking to us today about our inquiry into the funding of fire services in New South Wales. Would you please provide the Committee with a brief overview of natural disaster funding and when those arrangements were introduced?

Mr RHEESE: I administer the Natural Disaster Relief Arrangements [NDRA], which were first introduced in the late 1970s, so it is a longstanding arrangement. Natural disasters are primarily a State responsibility. However, in recognition of the often extraordinary and unexpected costs the Commonwealth has, since the 1970s, introduced arrangements for the reimbursement of State and Territory expenditure on natural disasters. The terms and conditions are as set out in the determination by the Minister, that is, the Minister for Local Government, Territories and Roads, who is currently Senator Campbell. The Natural Disaster Relief Arrangements provide funding assistance based on thresholds, if you like, established for each State and Territory. So State and Territory expenditure needs to meet a minimum base amount before the Commonwealth assistance kicks in.

CHAIR: What is it for New South Wales?

Mr RHEESE: The current base amount for New South Wales is \$79,740,000. That is what we call the first threshold. Above that rate the Commonwealth reimburses 50 per cent of State expenditure. Up until the State expenditure hits the second threshold which is \$139,545,000 at which time the Commonwealth provides a 75 per cent reimbursement.

CHAIR: I will provide an example. When a town is flooded and properties are destroyed and the State Government allocates \$60 million towards that town to rectify the situation does that mean it would not be entitled to any Federal Government assistance?

Mr RHEESE: Not necessarily. There are, if you like, categories of assistance. One is personal hardship and distress payments. They are payments to individuals for essential food, clothing, accommodation and that sort of thing. That has a much smaller threshold of \$200,000 of natural disaster relief arrangements eligible expenditure, if you like, and the Commonwealth contributes 50¢ in the dollar for all personal hardship and distress payments that the State might make. So, in relation to that \$60 million flood example, if the State chose to introduce personal hardship and distress payments to individuals then as soon as the bill for the State had hit \$200,000 the Commonwealth would be in there contributing 50¢ in the dollar.

The range of measures that a State may implement is at the State's discretion so the Commonwealth will provide reimbursements for personal hardship and distress payments—that is once the small disaster threshold of \$200,000 is reached. It will also provide concessional loans to farmers or operators of small business whose assets might be damaged or destroyed, restoration or replacement of essential public assets, damaged as a result of the disaster, and costs associated within, such as psychological counselling. For the category restoration of public assets and other measures, that is when the first disaster threshold applies, the \$79,740,000 I mentioned earlier.

Ms GLADYS BEREJIKLIAN: Does the Federal natural disaster fund come out of consolidated revenue?

Mr RHEESE: Yes.

Ms GLADYS BEREJIKLIAN: Is the size of the fund determined by the responsible Minister or through Treasury?

Mr RHEESE: On the advice of the Department. Of course, disasters are unpredictable.

Ms GLADYS BEREJIKLIAN: Is there an allocation in every budget?

Mr RHEESE: There is usually approximately \$70 million set aside. We have recently increased the provision for the current financial year, through the additional estimates, to about a \$130 million allocation. However, the allocation is uncapped which means at any time, because of the unpredictable nature, we can approach the Treasury for an advance through the Minister for Finance for additional funding.

Mr PAUL McLEAY: Why was that increased?

Mr RHEESE: On the expectation that this year, on the basis of estimates from the States, we will have a higher bill for reimbursement, primarily as a result of the bush fires. I can say that the range of that estimate is about a minimum of \$130 million expected reimbursement from the Commonwealth this year to, perhaps, \$200 million.

CHAIR: The terms of reference ask this Committee to consider whether a firefighting reserve fund could be introduced in order to provide funds to meet the extraordinary costs associated with major emergencies, such as the recent bush fires. The Committee has heard evidence that if such a fund were established may mean that the State would not have access to natural disaster funds. Is that assertion correct?

Mr RHEESE: No.

CHAIR: Why?

Mr RHEESE: There are no provisions in the determination about excluding a State on the basis of how it raises revenue, if you like. Again Commonwealth assistance kicks in after pre-determined thresholds are reached, and then there are known proportions that the Commonwealth will reimburse. Those thresholds are calculated at a rate of 0.225 per cent of gross public sector revenue. So, if you like, there is an automatic mechanism there where if the State chooses to collect its revenue by levy, taxes whatever, then that is automatically factored in in the calculation of the threshold amounts at which Commonwealth assistance will come in.

Mr PAUL McLEAY: Was that established in the mid 1970s or the late 1970s.

Mr RHEESE: Late 1970s. I might also add that a number of States have various emergency services or fire services levies and it has never been a factor in consideration of their eligibility for disaster relief.

Mr PAUL McLEAY: Have you had any queries from other States about this model?

Mr RHEESE: No.

CHAIR: Your Department lists as a principal objective of the natural disaster relief arrangements to ensure that disaster relief assistance does not operate as an disincentive to effectively plan, mitigate and allocate sufficient resources for disasters, or to discourage individuals or businesses taking out appropriate insurance to protect their assets and home. Is the establishment of a firefighting reserve fund consistent with that objective?

Mr RHEESE: I believe so.

(The witness withdrew)

(The Committee adjourned at 3.12 p.m.)