



Treasury

Our Reference: P18/3668

The Hon Robert Borsak MLC
Chair
Portfolio Committee No. 4 – Legal Affairs
Legislative Council
NSW Parliament

Dear Committee members,

Inquiry into the Fire and emergency services levy

Please find enclosed Treasury's responses to Questions taken on Notice and Supplementary Questions arising from the hearing held on 13 August 2018.

Yours sincerely,

Michael Pratt AM
Secretary

6 September 2018

PORTFOLIO COMMITTEE NO. 4 – LEGAL AFFAIRS
INQUIRY INTO THE FIRE AND EMERGENCY SERVICES LEVY
LEGISLATIVE COUNCIL

Responses to Questions on Notice

Question 1

The CHAIR: Ms Horvat, what was the dollar shortfall you were trying to recover in relation to funding 100 per cent of the fire and emergency services that that Government provides? I think at the top of page 2 you say that there is roughly 15 per cent that the Government recovers from these levies—the funding target. Then by doing an adjustment of stamp duty, you lift that to 92.7 per cent. What is the dollar amount in extra tax that you were seeking to recover to cover the services? Isn't that the nub of the whole thing? The Government is seeking a mechanism that will automatically adjust itself and make a growth tax available in a State where uninsured land values are always going up. I want the dollar amount.

Ms HORVAT: I would have to take the dollar amount on notice, to be honest, chairman. The FESL was designed to fund 73.7 per cent of the costs of the fire and emergency services. The costs of the fire and emergency services differ each year, so I would have to take—

Answer

The NSW Government's written submission to the Inquiry provided the following information outlining the current sources of funding for the fire and emergency services agencies.

Fire and Emergency Services Agencies – Funding Contributions

Insurers	73.7%
Additional Stamp Duty arising from ESL	7.3%
Sub-Total – FESL funding share	81.0%
Local Government Contributions	11.7%
Other Budget Funds	7.3%
Total	100.0%

FESL was budget neutral and was expected to collect \$893,843,000 in 2017-18 to offset the loss of ESL and the associated stamp duty.

Question 2

The Hon. CATHERINE CUSACK: Do you know what component of the revenue is user charges?

Ms HORVAT: No. I could take that on notice.

Answer

At the time of determining estimated FESL revenues, user charges collected by the three agencies were expected to raise around \$12 million in 2017-18.

Question 3

Mr DAVID SHOEBRIDGE: How many hardships instances were you expecting and was that hardship going to be 100 per cent compensated?

Ms HORVAT: I would have to take that question on notice.

Answer

The extent of any hardship assistance provided to individual property owners was to be judged on a case by case basis.

Question 4

Mr DAVID SHOEBRIDGE: Tell me what modelling and what data Treasury used and what analysis Treasury did on that 5 per cent of people?

The Hon. TREVOR KHAN: She said she would take that on notice.

Ms HORVAT: Yes, I said I would take it on notice.

Mr DAVID SHOEBRIDGE: No, you did not. You said you would take on notice the difference in pay.

Ms HORVAT: I am happy to take it on notice.

Answer

Data available showing the nature of uninsured households is limited. However, consistent with Treasury's expectations, the data indicated that members of the community from low socio-economic backgrounds are less likely to take out insurance. Improving the affordability of insurance was a key policy goal of the FESL reform.

Questions 5

The Hon. LYNDIA VOLTZ: Did you identify how many in that 5 per cent were pensioners?

Ms HORVAT: I am sure we would have. I would have to take it on notice.

Answer

Data availability precluded the specific identification of pensioner households which were uninsured. However, the FESL included a \$50 CPI indexed discount for pensioners.

Hardship assistance was also available to pensioners who met the hardship requirements.

Question 6

The Hon. LYNDA VOLTZ: Did you also have how much they were currently paying on their ESL?

Ms HORVAT: Yes.

The Hon. LYNDA VOLTZ: Could you provide that data to the Committee?

Ms HORVAT: Can I provide that data? That is three million data points.

The Hon. LYNDA VOLTZ: I am sure that you have got a summary of it somewhere.

Ms HORVAT: I can take that on notice.

Answer

ESL paid by matched properties is shown in the following table.

Classification	Total Number of Matched Properties	ESL Paid by Matched Properties
Residential	1,792,677	\$320,786,000
Commercial	39,894	\$35,897,000
Industrial	15,268	\$20,931,000
Farmland	19,267	\$5,955,000
Government	43,295	\$2,399,000
Public Benefit	4,212	\$4,357,000
Total	1,914,613	\$390,324,000

Question 7

The Hon. TREVOR KHAN: I am actually looking at your material. Do you know whether Counsel Assisting made a recommendation to Justice Owen that there should be a change to the emergency levy that was then in place? If you cannot answer me, can you find out for me?

Ms HORVAT: I can find out for you. I cannot answer the exact words of the recommendation.

Answer

The HIH Royal Commission recommended ‘...that those states that have not already done so abolish fire services levies on insurers.’ (‘Report of the HIH Royal Commission’ – Volume 1, Chapter 10 – Recommendation 17)

Question 8

Mr DAVID SHOEBRIDGE: Ms Horvat, on page 12 of your submission, you say the Treasury estimated that the average fully insured residential property owner would see a saving of \$47 per annum. Do you know what the median—which is often a far more useful figure—reduction is?

Answer

The estimated median saving for a fully insured residential property was around \$35 per annum. This compares with an average saving of \$47 for a fully insured residential property.

Question 9

The CHAIR: How much did the Government lose when HIH went down?

Ms HORVAT: That is before my time. I would have to take that on notice.

Answer

No losses were incurred by the State. Any initial losses incurred by the State have been recovered through a levy imposed on insurers. This levy was abolished from 1 July 2011.

Question 10

Mr DAVID SHOEBRIDGE: What did the modelling suggest would be the change in the number of insurance premiums? Did modelling suggest an additional X per cent of householders would get premiums? If so, did the modelling suggest how much additional revenue that would produce for the insurance industry? If so, how much?

Ms HORVAT: The first part of that I think I would respond by saying that when Victoria implemented its fire and emergency services levy they did see a take-up in insurance and New South Wales would expect a similar take-up. I am happy to take the latter part of the question on notice.

Answer

It was expected that levels of under insurance would drop to be more in line with other States as insurance becomes more affordable. No estimate was made of the additional gross or net revenue that would be received by insurers.

Question 11

Mr DAVID SHOEBRIDGE: How many additional insurance policies was that expected to deliver? What was the expected total increase premium take for insurers?

Ms HORVAT: I will take the question on notice.

Answer

See answer to Question 10.

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Responses to Supplementary Questions

Question 1

What impediments were there, if any, to the NSW Government collecting the FESL rather than Local Government?

Answer

Local government already had existing infrastructure to issue FESL assessment notices in conjunction with rate notices and collect revenues on behalf of the State.

Question 2

Was any report commissioned by government on how the scheme should be administered and if so could you please provide that report?

Answer

No report was commissioned.

Question 3

What amount in total was paid to local governments to implement the FESL Scheme?

Answer

\$11,495,768 which covered both implementation of FESL and any costs to close the FESL.

Question 4

What amount in total was paid to local governments in compensation to close the FESL Scheme?

Answer

See the answer to question 3. There was no explicit cost provision for closing FESL.