Submission No 22

INQUIRY INTO FIRE AND EMERGENCY SERVICES LEVY

Organisation: NSW Government

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NSW Government Submission to Inquiry into the Fire and Emergency Services Levy

1. Overview

In May 2017 the NSW Government deferred the introduction of the Fire and Emergency Services Levy (FESL) – a property-based model for funding fire and emergency services in NSW originally intended to replace the existing insurance-based Emergency Services Levy (ESL) from 1 July 2017.

The FESL was designed to be a more equitable mechanism for funding fire and emergency services, given the existing ESL model unfairly places the burden of funding those services almost entirely on the limited number of NSW residents who hold property insurance, and at the same time increases the cost of insurance in NSW, resulting in higher rates of non-insurance and under-insurance compared to other jurisdictions.

However, prior to implementation of the FESL, it became clear to the Government that in practice the FESL would result in similarly inequitable outcomes, unfairly placing an excessive funding burden on a small number of property owners in NSW. For this reason, implementation of the FESL was deferred.

The Government remains committed to establishing a more equitable model for funding fire and emergency services, and is currently working with stakeholders to consider whether issues identified prior to the implementation of FESL can be adequately addressed.

This submission sets out the background and history of fire and emergency services funding in NSW, alternative funding models, the case for reform of the existing model, the rationale behind the design of FESL, and the practical shortcomings of that policy.

2. Background

Funding of Fire and Emergency Services in NSW

Total budgeted expenses of Fire and Rescue NSW, NSW Rural Fire Service and NSW State Emergency Services (fire and emergency services agencies) in 2017-18 is $1.2 billon with capital expenditure totalling $118 million as shown in Table 1.

Table 1: Budgeted Expenditures of the Fire and Emergency Services Agencies in 2017-18

Agency	**Expenses $mill**	**Capital Expenditure $mill**
Fire and Rescue NSW	710	52
NSW Rural Fire Service	386	37
State Emergency Services NSW	107	29
Total*	**1,202**	**118**

* Components may not add to totals due to rounding.

The cost of the fire and emergency services agencies is fully funded from the NSW Budget. To partially offset this cost, revenue contributions are obtained from insurers and local governments. To determine the amount of these contributions, a 'funding target' is set equal to the cost of the fire and emergency services, less depreciation and own source revenues.[1] The government recovers 85.4 per cent of the funding target from levies on insurers (73.7 per cent) and local government (11.7 per cent).

In addition to the direct contribution by insurers and local government, the levy on insurers is estimated to increase stamp duty revenue by the equivalent of 7.3 per cent of the cost of the fire and emergency services agencies. Together these sources contribute 92.7 per cent[2] of the net cost of the fire and emergency services with the balance provided by way of other general state revenues.

The insurance levy is allocated among insurers based on their NSW market shares. Market shares are determined by weighting different types of insurance products for each insurer (e.g. 80 per cent for commercial property premiums, 50 per cent for household property premiums). The Government does not regulate how insurers pass on the cost of the levy to policyholders, but insurers typically impose a different percentage mark-up for each insurance type in line with the contribution of that policy type to the insurer's levy liability.

Contributions by individual local governments are calculated by each of the fire and emergency services agencies as follows:

- Fire and Rescue NSW – Based on expenditure in each fire district with land values used to allocate the levy burden to each local government area within each fire district
- NSW Rural Fire Service – Based on a 20 year average of Rural Fire Service expenditure in each local government area
- NSW State Emergency Services – Based on the population of each local government area.

Funding of Fire and Emergency Services in Other States

Over recent years other states have moved progressively to fund the cost of fire and emergency services through a direct levy on the property owners. Many jurisdictions impose a levy on the improved value of property and/or differentiate based on the nature of the property and its geographic location. The funding position of other jurisdictions is summarised in Attachment A.

1 Depreciation of $70 million is deducted to avoid any double counting with capital expenditure. Own source revenues total around $105 million. Further adjustments to the funding target are made each year due to differences between estimated and actual expenditure by the fire and emergency services agencies.

2 73.7 per cent is contributed via higher base insurance premiums, 7.3 per cent through higher associated stamp duty and 11.7 per cent through local government rates.

History of Emergency Services Levy Reform in NSW

Royal Commission into the collapse of HIH (2003)

The Royal Commission into the failure of the HIH Insurance Group by the Honourable Justice Owen recommended the abolition of fire service levies on insurers. In response to the HIH report, the NSW Treasurer indicated that the Government would consider an alternative to the fire service levy.

Public Accounts Committee Report and Government response (2004)

In 2004 the NSW Public Accounts Committee undertook a review of fire services funding. The review conducted extensive modelling of a property-based system. The Government accepted the Committee's principal recommendation to retain the insurance-based system for funding fire services. The Government also supported the Committee's recommendations to consider a property-based levy in the future as a means of broadening the base of contributions.

IPART Review (2008)

The Independent Pricing and Regulatory Tribunal of NSW (IPART) conducted a review of all state taxes in 2008. IPART found that the fire services levy "adds to the multiple layers of taxation on insurance, discouraging households and businesses from acquiring an appropriate level of insurance cover. This has implications for the efficient allocation of resources within the economy."

IPART recommended that the levy on insurers should be replaced by an equivalent, transparent property-based levy collected by local councils and separately identified on rates notices, phased in over time, and excluded from the local government rates cap.

2009 Victorian Bushfires Royal Commission

Following devastating bushfires in 2009, the Victorian Government established a Royal Commission to investigate the circumstances surrounding the bushfires, the response of the emergency services and any other relevant matters. The Royal Commission recommended replacing the State's insurance-based Fire Services Levy with a property-based levy. From 1 July 2013, Victoria introduced a property-based levy for funding fire services across the State.

Henry Tax Review (2010)

The Henry Tax Review found "Australia has high taxes on insurance, both in comparison to other countries and to the way that other products and industries are taxed. Specific taxes on insurance add to the cost of insurance premiums and can lead to underinsurance or non-insurance. Low-income earners are more likely than high-income earners to abandon insurance in response to higher premiums. The result is that they bear more risk themselves, although they are less well-placed to do so than people with higher incomes."

The Henry Review recommended that "All specific taxes on insurance products, including the fire services levy, should be abolished. Insurance products should be treated like most other services consumed within Australia and be subject to only one broad-based tax on consumption."

NSW Election Commitment (2011)

During the 2011 election, the Liberal/National Opposition committed to reviewing the funding arrangements for the services provided by Fire and Rescue NSW, the NSW Rural Fire Service and the NSW State Emergency Service.

Funding our Emergency Services Discussion Paper (2012)

In July 2012, the Government issued a Discussion Paper consulting with the community in order to find a better way to fund fire and emergency services. Submissions were received over a four month period.

The Discussion Paper asked a series of questions in relation to the possible replacement of revenue sources to fund fire and emergency services with a property based levy. There were two avenues for presenting opinions: written submissions and an online poll with short answers. The Government received 174 written submissions and 385 responses to the poll, a total of 559 formal responses. Of the 174 written submissions, 51 per cent supported moving away from insurance-based levies, 36 per cent opposed change, and 13 per cent commented on specific reform aspects without expressing a view in favour or against change.

Announcement of Emergency Services Funding Reform (2015)

In December 2015, the NSW Government announced its intention to introduce a property-based levy from 1 July 2017 to replace insurance-based funding of the fire and emergency services agencies. The levy was to be collected by local government on behalf of the State.

Deferral of the Fire and Emergency Services Levy (2017)

On 30 May 2017, the NSW Government announced the deferral of the FESL.

3. Funding Models for Fire and Emergency Services

User charge vs community levy

Services provided by the fire and emergency services protect both life and property from fire, floods storms and other natural disasters. Importantly, all members of the community benefit from fire and emergency services provided to other members of the community. In the case of fire, its containment benefits property owners distant from the initial source of the fire outbreak. Given this, the funding of fire and emergency services through a user pays framework is not economically efficient, with this being the rationale for centralised government funding of these services.

Property levy vs insurance levy

Because the whole community benefits from fire and emergency services, the states have chosen to fund these services through general revenue and/or a broad based hypothecated levy paid by property owners either directly or indirectly through insurers.

A direct levy on real estate property owners has the advantage of being difficult to avoid but fails to capture some classes of property that are also protected by fire and emergency services. For example, a direct property-based levy does not collect revenue from residential and commercial tenants and motor vehicle owners, despite these groups benefiting from the provision of fire and emergency services. Arguably these groups contribute indirectly to funding fire and emergency services through higher rents and the fact that most property owners also own motor vehicles. It is also not feasible to establish a direct property levy that reflects property-specific risks of fire or other emergencies.

Insurance-based levies broadly reflect the value of property protected and the risks of fire, floods or other emergencies. However, insurance premiums cover a multitude of risks unrelated to the operations of the fire and emergency services agencies. Critically, payment of an insurance-based levy by a property owner cannot be mandated as it depends on a decision by the property owner to take out insurance. This results in insurance-based taxes having a significant economic cost through changing consumer behaviour, as compared with direct property-based levies. The economic cost of insurance-based levies has been reported in numerous economic studies[3].

4. Rationale for reform

Improving fairness

Unlike most other States, New South Wales currently collects the bulk of its revenue funding fire and emergency services indirectly from property owners through a levy on insurers[4]. These arrangements see only the insured proportion of property owners contributing to the cost of these services.

Insurance-based levy results in inequity between fully insured property owners and:

- Property owners who choose to be uninsured (including property owners who choose to be self-insured)
- Property owners who are under-insured
- Property owners who choose a high policy excess or policy deductible.

An indirect levy on property owners through insurance premiums also opens up the potential for evasion through a property owner choosing an offshore insurer.[5]

The unfairness of the existing insurance-based levy arrangements arises where the property owner chooses to be less than fully insured. Based on NSW data from the 2009-10 ABS Household Expenditure Survey, 5 per cent of home owners chose not to have building insurance while 36 per cent of households chose to not take out contents insurance. In addition, a proportion of the community either actively or inadvertently choose to be under insured and, as a consequence, reduce their levy liabilities.

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[3] For example, see Henry Tax Review.

[4] Property owners are defined to include insurance of a range of non-real estate physical assets. For example, insurance premiums covering household and business contents, motor vehicles, jewellery, personal effects and works of art are subject to the insurance levy.

[5] Current legislation attempts to negate this risk by imposing an obligation on property owners insuring with an overseas insurer to pay the equivalent of the insurance levy.

In the case of the business sector, it is likely that as a business grows in size, its capacity to fully self-insure (and completely avoid the insurance levy), insure with a high policy excess or deductible (and reduce its insurance levy) or negotiate favourable insurance terms (and reduce its insurance levy) increases.

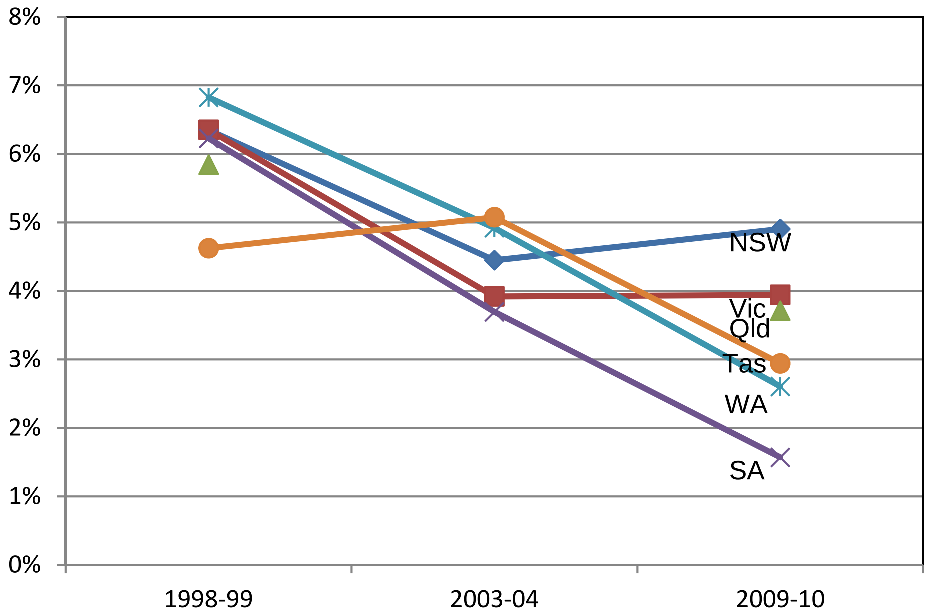
The net impact of the above factors is to shift the burden of funding fire and emergency services onto fully insured residential property owners and small business.

Impact on rate of insurance

Currently the insurance-based levy (and the associated stamp duty and GST) increases the cost in New South Wales of residential insurance premiums by 18 to 20 per cent and commercial insurance premiums by 30 to 35 per cent.[6]

Data from ABS Household Expenditure Surveys indicate that New South Wales, with its insurance-based funding of fire and emergency services, has the highest rate of underinsurance of any State. The data also indicate that reductions in the level of underinsurance appear correlated with lowering the cost of insurance following the abolition of insurance-based levies and their replacement by direct property-based levies in other jurisdictions – See Chart 1 and 2.

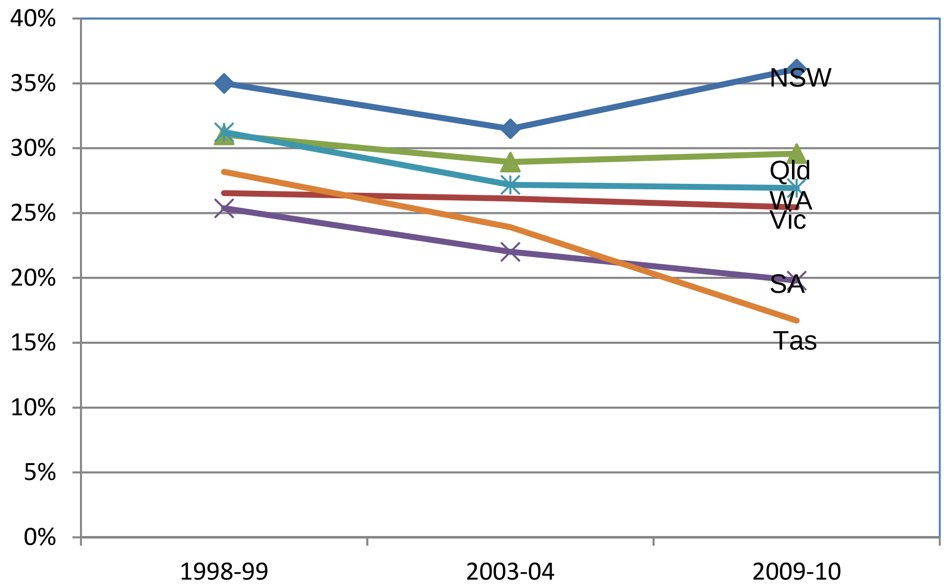
Chart 1: Proportion of Home owners without Building Insurance



Source: Calculated using data supplied by the Australian Bureau of Statistics, Household Expenditure Surveys. The figures exclude home-owners who pay body-corporate fees. Data are not available for Queensland in 2003-04, because of a small sample size.

[6] The amount of ESL paid on an individual policy as GST and stamp duty are levied sequentially on the base premium inclusive of ESL. Nominal ESL payments are therefore grossed up by 10 per cent for GST and generally 9 per cent for stamp duty. The actual ESL impact on the cost of insurance is therefore 19.9 per cent higher than the ESL amount shown on insurance invoices.

Chart 2: Proportion of Households without Contents Insurance



Source: Calculated using data supplied by the Australian Bureau of Statistics, Household Expenditure Surveys

Improving the affordability of property insurance was a key policy objective of the FESL reform package. In reducing the cost of property insurance, more property owners could afford to protect themselves from risk through insurance rather than leaving themselves exposed to significant loss in the event of a fire or a natural disaster.

Reducing Budget Risk

The higher proportion of property owners in New South Wales choosing to be uninsured increases the risk of claims against the Budget by individuals and businesses for relief where a fire or natural disaster occurs. In 2016-17, NSW Government spent $28.4 million on natural disaster relief involving hardship payments to individuals and businesses.

Lowering the cost of insurance was expected in the medium term to increase the proportion of individuals and business with an insurance safety net, and also reduce claims on the Budget for assistance freeing resources for other state priorities.

Strong Case for a More Equitable Funding Model

In light of the above considerations, the NSW Government's view is that the case for adopting a more equitable funding model for fire and emergency service – and one that does not make insurance too expensive for households – is compelling.

The challenge that remains before Government is to design an alternative model that does in fact spread the cost of funding fire and emergency services more equitably, rather than simply shifting the burden from one group to another.

5. Who currently pays the insurance-based levy?

As part of preparation for the introduction of the FESL, Treasury gained access to detailed, depersonalised insurance data through the Emergency Services Levy Insurance Monitor. This data allowed Treasury to partially match current Emergency Services Levy (ESL) payments with individual properties.

Current sectoral shares of insurance-based Emergency Services Levy revenue

The 2012 Discussion Paper, *Funding our Emergency Services* estimated that 49 per cent of insurance-based ESL was contributed by the business sector with 45 per cent and 6 per cent coming from the residential sector and rural sectors respectively.

Since that time, the value of property in each sector has changed and an improved methodology has been developed to estimate the revenue shares of various sectors. Treasury's latest estimates of the revenue share for each sector of the economy are shown in Table 2.

Table 2: ESL Revenue shares by sector

Sector	Share of Revenue
Residential	56.45%
Non-Residential	
• Farm	4.36%
• Other	39.19%

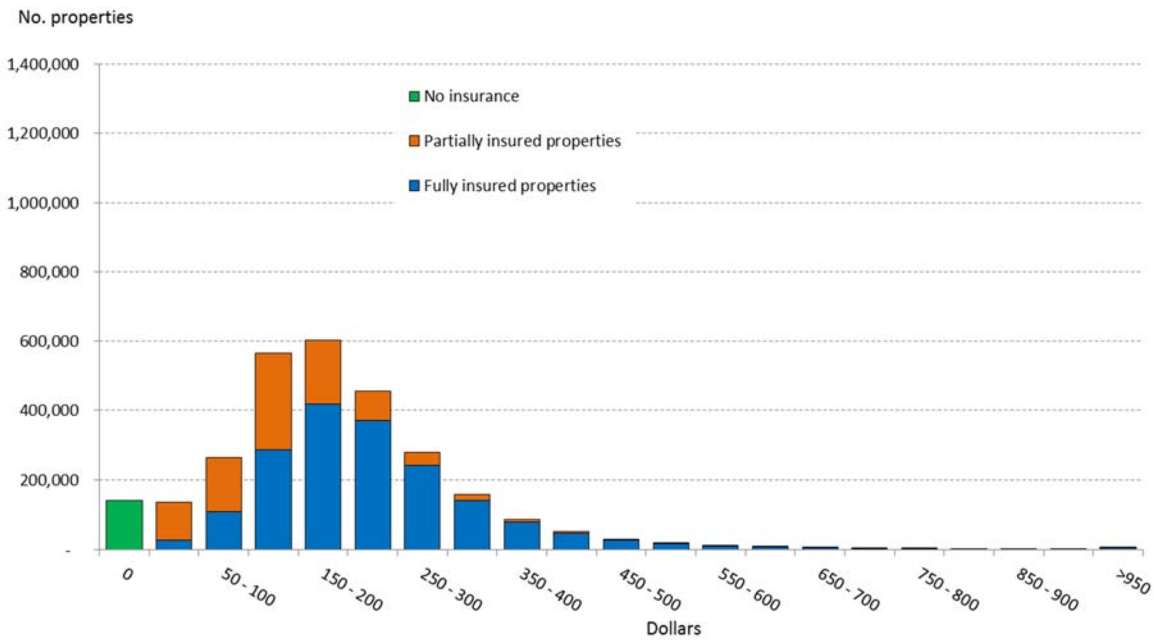
Under existing legislation, an additional ESL premium weighting of 60 per cent is applied to non-residential insurance policies. Adjusting the above revenue shares for this factor indicates the underlying risk share of the residential sector is around two-thirds of total insurable risk.

Residential Property

Under an insurance-based ESL, the contribution of individual property owners to the costs of the fire and emergency services agencies increases with the sum insured. However, as with insurance generally, other factors also determine the contributions: that is, doubling the value of property insured does not lead to a similar increase in insurance premiums and ESL contributions.

Chart 3 shows estimates of the distribution of ESL and associated GST and stamp duty payments for all residential properties. This shows that most insured residential properties currently pay between $100 and $300 with a significant number of properties paying in excess of $300 per annum. The average payment across all residential properties in 2015-16 was estimated to be $233.

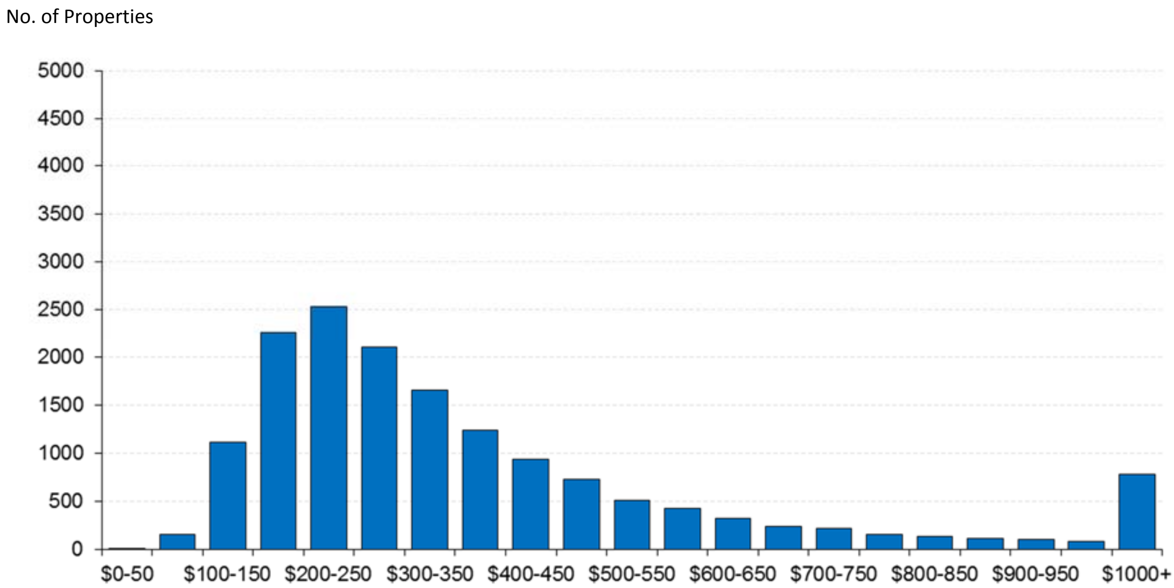
Chart 3: Distribution of ESL payments (and associated GST and Stamp Duty) for Residential Properties



Farms

For the purpose of local government rating, there are around 113,000 farms in New South Wales making an average ESL contribution (including associated GST and stamp duty) of around $380 per property per annum. Based on a sample of around 20,000 properties, there is considerable variation in the level of ESL paid per property, with higher ESL payments being associated with more capital intensive activities.

Chart 4: ESL payments (and associated GST and Stamp Duty) by a sample of individual farms



Other Non-Residential Property

Estimating current ESL payments (including associated GST and stamp duty) for non-residential properties is far more difficult than for residential properties. Matching insurance data is complicated by a number of factors which are significantly more prevalent in the non-residential sector. In particular:

- Differences between insured property address and address of the policy holder
- Insurers do not always hold the addresses of individual insured properties when the property is part of a large portfolio (eg major supermarket chains, banks, etc)
- The presence of multiple businesses within a single property (eg office blocks, industrial estates, etc).

6. Design of the Fire and Emergency Services Levy

In designing the FESL, the Government made a number of policy decisions, which determined the levy rates that were announced on 30 April 2017. These issues are discussed below.

Improved or Unimproved Land Value

A number of other jurisdictions impose fire and emergency services levies based on improved (or sale) values.

The NSW Valuer General does not currently estimate improved land values. The imposition by New South Wales of a FESL based on improved values was estimated to have a one-off cost of over $140 million with annual additional costs of $30 million. Implementation of such a levy would require a lead-time of up to 5 years. A levy on improved values would partly fall on capital, rather than land, and would thus provide a disincentive to investment.

Based on these considerations, as well as their use for local government rating, the Government determined to use unimproved land value as the basis of the FESL.

Budget Neutrality

The reform of the funding of fire and emergency services was designed to be Budget neutral, with all revenues allocated to fire and emergency services agencies or to recovery of implementation and ongoing operating costs. Ongoing operating costs were expected to be around 1 per cent of revenues which is similar to a number of other state revenues. The FESL rates were set to recover the loss of stamp duty that would arise from the abolition of the insurance-based ESL.

Sectoral Revenue Shares

Section 4 provides estimates of current ESL revenue shares for various sectors of the NSW economy. Government determined that the existing revenue shares of the residential, farm and non-residential sector would be maintained, so that the aggregate share of the levy liabilities across sectors was unchanged.

Fixed vs Ad Valorem Rates

With the revenue target determined by the budget of the fire and emergency services agencies and expected collection costs and the revenue shares from the various sectors set, the balance between any fixed and valorem levy rate was determined.

Residential Land

Within a fixed revenue share for the residential sector, a balance was drawn between the increased liabilities of property owners who were currently uninsured and changes in the liabilities of existing fully insured property owners. A low fixed rate would see the liabilities of high valued properties increase substantially while a high fixed rate would see a significant increase in the liabilities of lower valued and uninsured properties.

Balancing these two competing pressures, the Government set a fixed rate of $100. This was the same fixed rate set by Victoria in 2013, when it moved from an insurance-based levy to a property-based levy.

Farmland

As outlined above, the revenue share of the farm sector was set to ensure there was no increase in the aggregate levy liabilities of the sector. Like Victoria, the Government set the fixed rate for the farm of $200 at double the residential rate. As part of determining this fixed fee, consultation was undertaken with the sector in an attempt to foresee any unintended consequences of a $200 fixed fee.

Public Benefit Land

The Government determined to provide the most favourable levy rate to land that provided social value to the community by adopting the residential levy rate for these properties.

Commercial and Industrial Land

In line with Victoria, a $200 fixed fee was set with the ad valorem duty rate achieving revenue neutrality across the non-residential sector. The ad valorem duty rate for industrial sector set at 1.5 times the commercial sector reflecting higher risk.

Table 3 summarises the FESL rates announced by the Government on 30 April 2017 for 2017-18.

Table 3: Fire and Emergency Services Levy rates for 2017-18 (now deferred)

Property Type	**Fixed Levy $**	**Ad Valorem per $100,000 of unimproved land value $**
Residential	100	21.90
Farmland	200	23.50
Public Benefit	100	21.90
Commercial	200	179.10
Industrial	200	268.70

7. Changes to the levy burden between ESL and FESL

While the introduction of FESL was budget neutral, the move from ESL to FESL inevitably resulted in a redistribution of the levy burden between members of the community. In particular under the FESL, the levy burden shifted:

- **From the owners of fully insured property to under or uninsured property**

  As previously outlined, a proportion of property owners choose to be uninsured or underinsured. Treasury estimated that the average fully insured residential property owner would see a saving of $47 per annum.

- **From tenants to landlords**

  Currently, tenants pay ESL through any contents insurance. In the case of commercial tenants, the increased levy burden on landlords can generally be passed on to tenants under a standard commercial lease with the effective incidence of the levy, in aggregate, remaining broadly unchanged. In the case of residential tenancies, the ability of landlords to pass on the FESL may be more constrained. Ultimately, the ability for landlords to pass on the cost of FESL to tenants is determined by the interaction between supply and demand.

- **From the owners of non-land assets to land owners**
  Currently insurance of non-land assets (such as motor vehicles) is subject to ESL. The abolition of the ESL therefore resulted in the levy burden being shifted from the owners of non-land assets to land owners. Treasury estimates that insurance of non-land assets currently contributes around $30 million (or 3.7%) of ESL revenues.

- **Between property owners within a single property class**
  While the FESL was broadly revenue neutral for each property class (ie within the residential, non-residential and farmland sectors), individual property owners within each class were likely to see an increase in their net levy liabilities where:

  - ✓ The property was under-capitalised (ie the value of improvements was low relative to land value) compared with the average for properties with a similar land value, resulting in smaller ESL savings than FESL liabilities.

  - ✓ The land value was higher than average, as ESL savings increase more slowly than FESL liabilities as land values increase due to the comparative rate structures for insurance and FESL[7].

  - ✓ The activity conducted on the land represented a lower than average insurable risk, therefore insurance premiums and associated ESL savings were relatively small.

  - ✓ There was a high level of under-insurance (including a high level of insurance deductible or policy excess), therefore insurance premiums and associated ESL savings were smaller than FESL liabilities. A high level of insurance deductible is prevalent for big businesses and allows it to minimise its ESL obligation and shift the levy burden to other property owners.

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7 Insurance for higher valued properties is also likely to be subject to greater competitive pressures reducing its cost.

Of the above factors, the key stakeholder concerns with the proposed FESL arose from:

- **Commercial and industrial landlords**: Many landlords did not recognise the ESL savings accruing to tenants and their ability to pass on a component of the FESL.
- **The owners of under-capitalised properties**: Where a property's value is disproportionately high compared to the income it generates based on its existing use (for example, an industrial property operating in an area zoned for high density residential development), FESL liabilities may represent a significant proportion of net business income.
- **The owners of under-insured properties**: In the residential sector, many property owners fail to keep their insurance up-to-date and therefore their ESL payments were significantly less than would otherwise be the case.

  In the commercial/industrial sectors, large players often adopt a high level of policy deductible (or excess) or act as self-insurers. In these cases, the property owner is currently contributing at a lower rate than equivalent fully insured businesses. This resulted in a significant increase in their levy liabilities when comparing FESL and ESL.
- **Property owners renewing insurance when ESL was a low component of their premiums:** During the first six months of 2017, insurers gradually removed the ESL from premiums as part of the transition to its planned abolition. Property owners who compared their ESL amounts during this period with their expected FESL liabilities were not comparing like with like.

8. Deferral of the FESL and Future Considerations

When announcing reform to the funding of fire and emergency services, the NSW Government considered a property-based levy to be fairer, in principle, than an insurance-based levy. However, practical experience with the development of the FESL indicated that the transition from an insurance-based levy to a property-based levy presented additional dimensions to considerations of fairness.

In particular, difficulties faced in matching insurance data in the non-residential property sector (see section 4 above) meant it was not possible to accurately estimate the difference in the liability that individual property owners in that sector would face under the FESL compared with the ESL. In a significant number of these cases the Government considered the difference was so high as to violate the primary policy objective of making the funding of fire and emergency services more equitable.

The failure of the FESL to meet this primary policy objective *in practice* is the fundamental reason the Government decided to defer the introduction of the new funding model. The Government is currently working with stakeholders to consider whether this and other issues can be adequately addressed within the existing FESL framework, or through more substantive changes to the policy.

While the Government considers these matters, it will ensure the funding requirements of NSW fire and emergency services are fully met through the continuation of the ESL.

Attachment A

Funding of Fire and Emergency Services in Other Jurisdictions[1]

State or Territory	Current Arrangements	History
Victoria	A Fire Services Property Levy applies to all leviable properties to support the Metropolitan Fire Brigade (MFB) and the Country Fire Authority (CFA). A fixed charge and variable component applies based on the property's capital improved value. The levy varies depending on property use and location. For properties located within a CFA district, a higher variable rate applies reflecting the higher costs of that service. The levy is collected by councils on behalf of the State Government and funds 87.5% of the net cost of the MFB and 77.5% of the net cost of the CFA with the remainder sourced from other state government revenues. Other emergency services are provided by Emergency Management Victoria.	Prior to 2013-14, funding for fire services was provided through a fire services levy on insurance premiums. The levy funded 75% of the net cost of Melbourne Fire and Emergency Services Board (MFESB) and 77.5% of the net cost of Country Fire Authority (CFA). Metropolitan councils contributed 12.5% of the requirements of the MFESB with the State government funding the remainder.
Queensland	An Emergency Management Levy applies to all properties to support QLD Fire and Emergency Services. A fixed levy varies applies depending on property use and location. The levy funds 6/7ths of the net cost of Queensland's fire and whole-of-state emergency services. The State provides funding for the remaining 1/7th. The levy is collected by local government on behalf of the State government. Local councils can raise a self-determined rural fire levy to fund the operational costs of rural fire brigades. The State Government funds certain costs of the rural fire brigades certain costs.	Prior to 1984, fire and rescue services were funded by contributions from insurers (75%), local government (12.5%) and the State government (12.5%). Between 1984 and 2014, a property-based Urban Fire Levy applied in urban areas. The levy varied depending on property use and location. The state government contributed 1/7th of the costs.

State or Territory	Current Arrangements	History
Western Australia	An Emergency Services Levy applies to all properties and certain Mining Tenements to support fire and emergency services. In urbanised areas (ESL category classifications 1 to 4), a variable charge applies depending on the property's location, type and Gross Rental Value and is subject to minimum and maximum charge thresholds. A fixed charge applies in rural/remote areas (ESL category 5) and to assessable Mining Tenements. The levy will fund around 90% of the net cost of fire and emergency services in 2017-18 with the State Government funding the remainder. The levy is collected by the local government authorities on behalf of the State.	Prior to 2003-04, career fire and rescue services were funded by contributions from insurers (75%), local government (12.5%) and the State government (12.5%). Volunteer fire and rescue services were funded entirely by the State while other emergency services were funded through various sources including State and local government grants and local community fund raising.
South Australia	An Emergency Services Levy applies to all fixed property (including government property), motor vehicles and vessels and funds the net cost of emergency services including fire, search and rescue services. The levy on fixed property comprises a fixed charge and ad valorem charge based on the property's location, type and capital value. The fixed property levy is collected by Revenue SA and the mobile property levy is collected by the Department of Planning, Transport and Infrastructure.	Prior to 1999, a levy on insurance raised about 70% of the net cost of fire services. The remainder (nearly 30%) was funded from local government and state government contributions with a small amount coming from fund raising.
Tasmania	The net cost fire services and emergency services in 2016-17 was funded from: • An Insurance Fire Levy charged on commercial insurance premiums (19.1%) • The Motor Vehicle Fire Levy payable on vehicle registration each year (8.9%) • The Fire Service Contribution collected by local councils from ratepayers, weighted according to the assessed annual value of properties (45.7%) • State government contributions	Prior to 2013-14, emergency services were funded general state government revenue.

State or Territory	Current Arrangements	History

Australian Capital Territory	A Fire and Emergency Services Levy (FESL) is imposed to cover the costs associated with fire and emergency services for the ACT and applies to all property. A fixed FESL applies to residential and rural properties. A progressive ad valorem rate of duty applies to commercial property owners based on the unimproved value of the property. The FESL is collected by the ACT Revenue Office and retained by the ACT government. The net costs of fire and emergency services are funded from general state government revenue.	No recent changes.
Northern Territory	The net costs of fire and emergency services are funded from general state government revenue.	No recent changes.

(1) Net cost refers to costs after taking consideration of agency own source revenue, such as Commonwealth payments for services and fundraising.