

Queensland



Regulatory Impact Statement for SL 2001 No. 75

Fire and Rescue Authority Act 1990

FIRE AND RESCUE AUTHORITY REGULATION 2001

1 Title

Fire and Rescue Authority Regulation 2001.

2 Background

The *Fire and Rescue Authority Regulation 1990* was due to expire on 1 September 2000 under the automatic expiry provisions of the *Statutory Instruments Act 1992* as 10 years had elapsed since it commenced. An extension was granted until 1 September 2001. This regulation is drawn from Part 10 of the *Fire and Rescue Authority Act 1990* entitled "Funding" and provides for the raising of over 75 percent of Queensland Fire and Rescue Authority (QFRA) revenue.

3 Authorising Law

The legislation is authorised under the *Fire and Rescue Authority Act 1990* (the Act).

4 Policy Objectives

4.1 Overall policy objectives of proposed legislation

The primary aim of the Act is to protect people, property and the environment from the devastation caused by fires and certain other incidents. The legislation provides powers to a fire and rescue service to prevent and respond to fires. The urban fire and rescue service is

established to provide services to property owners in the larger towns and cities across the State. It is funded by the payment of a fire levy, collected by local governments. This levy is the major source of revenue of the QFRA. Rural fire services are established in areas not covered by urban services and local councils may collect a rural fire levy to support local rural fire brigades.

Specific policy objectives of the *Fire and Rescue Authority Regulation 2001* (hereinafter referred to as the ‘proposed regulation’) are to:

- (a) streamline administrative procedures involved in the collection and remittance of the urban fire levy scheme;
- (b) ensure equity is maintained within the scheme;
- (c) assist local government by ensuring that it is within their capabilities to collect a levy at minimal cost to them; and
- (d) assist local government to manage collection by providing clear definitions of prescribed property.

To achieve these objectives the regulation will cover the following:

- (a) Definitions – This section will provide definitions of various terms used in the regulation such as “level of building”, “gross floor area”, and prescribed (categories of) property such as “child care centre”, “sales area-outdoor” and “light industry”;
- (b) Administration Fee – This fee is set in accordance with section 117(4) of the Act and is a payment made to local governments for the issue, collection and remittance of the urban fire levy as agents of QFRA;
- (c) Constitution of urban districts – This part is set in accordance with section 106 of the Act and will prescribe a portion of the State as an urban fire district. [See 4.2 below and attached map of the Maryborough urban district];
- (d) Annual contributions of owners of prescribed property – This part relates to section 108 of the Act and sets out the urban district class, the fire levy group and the contribution to be paid for each category of property in a financial year. The various contributions to be paid will be shown as Schedule 1 and Schedule 2 attached to the regulation. [See 4.2 below];

- (e) Annual returns by local governments – This is set in accordance with section 109 of the Act and will set the particulars of prescribed properties required by local government to be furnished to the QFRA to assist in determining the annual contributions payable by owners;
- (f) Discount for pensioners section – This will be set in accordance with section 110 of the Act and details the discount rate that pensioners who are the owner/owners of prescribed property will receive. This rate will equate to the same rate as the State Government Pensioner Subsidy Scheme;
- (g) Payments by local governments to QFRA – This will be set in accordance with section 118 of the Act and will nominate the declared periods for which payments will be made by local government to the QFRA. Two separate declared periods will be made to facilitate and ease administration returns by local governments based on the urban levy collected. These declared periods would be shown as Schedule 3 and Schedule 4 to the regulation. [See 4.2 below].

4.2 Schedules to the regulation

Schedule 1. This schedule will prescribe and nominate the class of urban district for each specified area. In addition it will delineate the urban district boundary of each of the urban districts mentioned on an urban district map of the same name. [See attached example of Maryborough urban district].

Schedule 2. This schedule will, each financial year, prescribe the annual contributions of owners of prescribed properties. The schedule will be in the form of two columns. Column 1 will specify each category of property and assign it to a specified fire levy group. Column 2 will specify each fire levy class of the urban district in which the property is situated. [See attached Schedule 2].

Schedule 3. This Schedule nominates individual local governments who must remit payments five times per financial year. [See attached Schedule 3].

Schedule 4. This Schedule nominates individual local governments who must remit payments three times per financial year. [See attached Schedule 4].

5 Legislative Intent

5.1 Intended effect of the proposed legislation

- The regulation will use the levy system that exists in the current regulation.
- The regulation will not increase existing levied rates.
- Expanded definitions will assist local government to administer the urban fire levy scheme.
- The regulation will clearly establish and identify the urban districts and urban district classes.
- The regulation will more clearly state the manner in which levies are administered on multi-purpose buildings to reflect current QFRA administrative practices.

6 Consistency with Authorising Law

The Act is enacted to protect people, property and the environment from the devastation caused by fires and certain other incidents. The legislation provides powers to a fire and rescue service to prevent and respond to fires. The urban fire and rescue service is established to provide services to property owners in the larger towns and cities across the State.

The Act provides a regulation that ensures the majority of the funds for the Service by the payment of a fire levy, collected by local governments. This is the major source of revenue of the QFRA.

7 Consistency with Other Legislation

The proposed amendment is not inconsistent with other legislation.

8 Fundamental Legislative Principles

The *Legislative Standards Act 1992* outlines fundamental legislative principles (FLP) that require legislation to have sufficient regard to the rights and liberties of individuals and the institution of Parliament. Any FLP issues in the proposed regulation will be addressed following consultation.

9 National Competition Policy [NCP]

QFRA has completed a National Competition Policy Review Report for the Treasurer.

The Report stated that the objectives of the legislation are achieved through the current model of service provision. This model incorporates a fire levy as an equitable basis for the provision of fire and rescue services and provides some special powers to fire and rescue officers that allow them to complete their duties effectively. The benefits to the community outweigh these costs.

The Report indicated that the current implicit barriers to competition contained in the Act support the current model of service provision. No reasonable alternatives to the current model were identified. There is therefore, no pro-competitive reason to change the current legislative provisions.

10 Risk Assessment

By continuing the levy system the Government is meeting its community obligation in providing a safer community. To control the risk of loss of life and property, this State and all other States in Australia have funded in various forms a Fire Service to ensure a safer community. The QFRA attended over 50,425 incidents in 1999–2000. Without the fire service the risk will be greater loss of life and property and substantial social and economic effects resulting from fires and other incidents. The loss of one business can put many employees out of work and increase the social cost to the community.

Australian State and Territory governments are primarily responsible for the delivery of fire services. The services provided include:

- Prevention – public information campaigns, advice on rural land management practice for hazard reduction and fire prevention, inspection of property and buildings for fire hazard and fire standards compliance, preparation of risk assessment and emergency management plans, and hazard categorisation for public information campaigns;
- Preparedness – public education and training, preparation of response plans, training of fire personnel, hazardous chemicals and material certification, inspection of storage and handling arrangements, and hazard categorisation for resource allocation;

- Response – urban and rural fire suppression, response to incidents involving hazardous substances, and road and industrial rescue; and
- Recovery – critical incident stress debriefing, salvage and restoration of the emergency event to a safe state, and support for the community.

11 Alternatives

Other alternatives to providing this service were considered as part of the NCP Review. These being:

- Deregulation / no regulation
- Insurance schemes
- Fee for service
- Current /proposed regulation

11.1 Deregulation / no regulation

Deregulation would allow any person or organisation to establish a fire and emergency response service across the State or in a particular geographic area. The model would include the removal of the legislative provisions for the fire levy, thus removing its effect as an implicit barrier to competition. The QFRA would withdraw or compete in the market according to its assessment of the commercial return. Service providers would have to seek fees for service from property owners or negotiate access to funds collected by government.

Property owners would be required to manage their own fire and rescue risks and make their own arrangements to cover the cost of emergency response services rather than pay a levy. This would have to be achieved by property owners paying the cost of services they receive on a fee for service basis or through insurance schemes.

11.2 Insurance schemes

Insurance schemes allow some property owners to ‘self-insure’. Insurance rates are determined by a number of factors including the assessment of risk by the insurance companies, the numbers of property insured and the numbers of claims made.

11.3 Fee for service

Under a deregulated model, households requiring fire and rescue services would be required to pay for the service provided if they were uninsured and could receive a bill in excess of \$4,090. In addition, an individual or property owner would be required to pay for any costs incurred by third parties e.g. damage to a neighbour's house.

11.4 Current / proposed regulation

Continuation of the current regulation will continue the levy system.

12 Stakeholders

- Local Government Association of Queensland
- Queensland Chamber of Commerce and Industry Ltd
- Australian Industry Group
- Queensland community

13 Consultation

No official consultation has taken place at this stage. Local Governments are constantly contacted or in contact with QFRA regarding the operation and administration of the urban fire levy scheme. The scheme is generally well accepted and no major problems are experienced in the overall day to day running of the scheme.

The December 1999 community survey of over 4000 homes to assess community fire safety perceptions, awareness and behaviours, found that the level of satisfaction expressed with the QFRA services is high. The survey established that 93% of people were either satisfied with the service or received a service above their expectations. This would indicate that the public is reasonably comfortable with the current model for provision of fire and rescue services, implicitly supporting the levy system and the level of powers provided to officers.

14 Qualitative Impact Assessment

14.1 Deregulation / no regulation

A deregulated service would permit lower standards of service delivery to the community. A lowering of training levels and safety equipment for those delivering the service can mean loss of life for the community and the deliverers. Road Accident Response may be compromised and the service not delivered to the community.

Public education requirements and the need to support the volunteer network also indicate that the total deregulation model is not feasible. A model in which consumers are charged for fire education and other prevention activities is clearly counter-productive from a social policy perspective and does not accord with the Government's Priority Outcomes in providing Queenslanders with safer and more supportive communities.

Local Government

Local Government is a substantial holder of property. Deregulation would mean that QFRA could not supply any of the current fire services including the saving of lives and property, as it would not have any funds. It would force local government to consider providing its own fire suppression and public education programs. This, if effected, would introduce a multiplicity of fire services with differing standards and capability.

Commerce and Industry

There are approximately 71,166 commercial and industrial properties in Queensland. Deregulation would mean that QFRA could not supply any of the current fire services including the saving of lives and property, as it would not have any funds. In the main they do not have the capacity to provide their own fire service. A limited number of larger industries (mining etc) had established an internal fire service. The trend in the past few years has for these companies to seek QFRA involvement in fire suppression and education activities. The adoption of total deregulation provides no immediate and in most cases long term fire service support to this group.

It is important to note that the removal of the levy system would not necessarily mean the removal of all regulatory mechanisms under the Act. The government would need to maintain regulatory mechanisms to ensure that the quality of service and public safety could be guaranteed, regardless of the funding mechanism.

14.2 Insurance schemes

The majority of insurance companies are profit driven and insurance premiums are usually set at rates, which enable the company to record profits. While there is a potential for competition between insurance companies to result in a decline in the premium payable by certain policy holders, it is unlikely that a uniform benefit would be experienced throughout the State. Undoubtedly, at least some households seeking insurance would find that rates would be higher than the existing government fire levy.

The Government supports the transparency of payments for services provided and could be expected to require insurers to provide sufficient funds to meet the costs associated with the service provision. This could place further upward pressure on the cost of insurance policies.

This insurance based funding model was in place in Queensland until 1984-85 and was replaced with the current levy system. The intent of this change was to fairly distribute the costs of funding the fire service amongst all property owners, not just the ones who insured their properties.

Inequities identified at that time with the insurance model were:—

- Properties that were not insured (and therefore not paying the levy) received Fire Service assistance irrespective. Although they were then invoiced as a fee for service, many did not pay;
- Many owners of commercial buildings discovered they could avoid paying a fire service levy by buying their building etc insurance interstate and overseas. As a result the burden of contributing to the Fire Service was borne by a reduced number of policy holders than was appropriate; and
- Insurance companies had for a long time been vocal regarding (a) the inequity of prudent citizens paying for a fire service that benefited the whole community and (b) their role as private companies in effectively collecting a levy on behalf of the Government.

The government enjoys economies of scale in the administration and collection of the fire levies by utilising the rate collection schemes of local government. It is likely that insurance companies could not take over collection of a 'levy like' payment without incurring significant additional costs which ultimately would be borne by the consumer.

The introduction of a compulsory insurance scheme, similar to that in place for compulsory third party insurance for motor vehicles may address these problems. While this would ensure that all households could pay for any fire and rescue services required, the Insurance Council of Australia has confirmed that there is no compulsory fire insurance scheme operating in any State or Territory in Australia at the current time. Hence there is no ability to compare this model with the property based levy system. However, it is highly likely that such a system, if it were possible, would also require significant government regulation and may be considered similarly restrictive to the existing fire levy.

One other significant detriment of an insurance-based system is that it only pays fire and rescue services for tasks completed. As indicated earlier, a significant proportion of funding towards fire and rescue services is aimed at ensuring that services are prepared in the event of a fire or rescue situation.

It may become very difficult for services to maintain this state of preparedness under insurance based or fee for service systems.

14.3 Fee for service

Fee for service models encounter the difficulty of collecting fees from those who benefit from having a fire and rescue service available that is able to respond effectively, but who do not receive a physical service. Fees to those few who do receive a service could be very high given the proportionally large amount of time firefighters are in a state of preparedness rather than actually attending to incidents.

The cost of 'down time' associated with a high level of preparedness would have to be apportioned in some manner if a fee for service model was introduced. In 1999–2000 the QFRA attended a total of 50,425 incidents at an operating cost of \$206.3 million. This is an average cost of approximately \$4090.00 per incident. 23,701 incidents were unfounded. This approach could lead to a conflict between the determination and application of reasonable charges, depending on the type of incident, and the need to fully recover the costs of providing fire services.

A fee for service model in which consumers are charged for fire education and other prevention activities is clearly counter-productive from a social policy perspective and does not accord with the Government's Priority Outcomes.

14.4 Current / proposed regulation

The QFRA levy funding will be secured with revenue forecast as follows:—

	Levy Revenue \$	Total Revenue \$	% of Funding from Levies
1999 / 2000 Actual	163.3	219.6	74.4%
2000 / 2001 Budget	176.7	226.9	77.9%
2001 / 2002 Preliminary Budget	185.4	238.3	77.8%

The current fire levy system distributes the costs of a fire service amongst all property owners, a distribution considered most fair compared to the other options.

Collection and administration of the fire levy is cost effective utilising the services of local government who already have the systems and personnel in place for collecting rates.

In addition to providing funding for preparedness for fire and rescue, the current model supports the extensive volunteer network in sparsely populated areas of the state and free public education about fire safety issues. Community awareness and education programs are an important component of risk management strategies for the prevention and self-management of emergency events.

15 Community Survey / Other Initiatives

A community awareness survey of 4,000 households undertaken in November and December 1999 showed that 64% of Queensland householders with at least one child aged 17 years or under have had children involved in a fire safety program at school. Three quarters of householders whose children had been involved in a fire safety education

program at school believed that this involvement improved or increased their household's understanding of fire safety practices in the home.

Other initiatives aimed at preventing emergency events include:—

- Expansion of the Road Awareness and Accident Prevention Program targeted at year 12 students;
- Expansion of the “Smoke Out Australia” campaign with Queensland Fire and Rescue Authority officers collaborating with Government and private sector bodies to install smoke alarms in homes of senior citizens;
- An accelerated shift in community safety and fire prevention and “Operation Safehome” designed to encourage a greater penetration of smoke alarms in homes;
- Expansion of the “Seniors’ Fire Education” program to 80,000 Senior’s homes; and
- A campaign targeting 56,000 rural residences to assist in the identification of local risk and self help procedures.

The importance and effectiveness of these educational and awareness programs can be illustrated by a marked increase in fire prevention activities in the community such as a rise in the number of homes with smoke alarms to 70% and an increase in other fire safety devices installed in homes.

A change from the current model to a deregulated or purchaser/provider model would result in a fee being charged for these services, or retention of additional public sector educators to carry out the work, or cessation of the programs.

16 Economies of Scale

In contrast to deregulated or purchaser/provider models, the current statewide model provides a better career structure for firefighters and more effective training and administrative support efficiencies. Plant and equipment are uniform, allowing efficiencies of scale in purchasing and training. Statewide, communication has been improved with the implementation of remote communications monitoring. This allows more isolated areas to be continuously monitored from a full time communication centre, which enables greater communication coverage and thus improved public safety throughout Queensland.

17 Volunteer Support

The current model relies on some 44,600 volunteers to deliver services in less densely populated urban fringe, rural and remote areas. It is doubtful whether a commercial service provider could engender this type of support and commitment when it is charging the Government for the services it provides. It is reasonable to expect a significant increase in costs to maintain these services if there was to be a substantial deterioration in the volunteer base. The end result would be a flow on of these costs to the community.

18 Preparedness

Fire and rescue operational preparedness includes all activities necessary for firefighters to be prepared and ready to respond to a broad range of emergency response activities including practice, training, education and maintenance of competencies. Equipment and asset maintenance, fire appliance provision and maintenance, radio communications and other infrastructure required to enable effective response are a necessary part of being prepared. While the Queensland Fire and Rescue Authority accepts that it needs to be in a constant state of preparedness with highly trained firefighters ready to respond to incidents as and when the need arises, it is unlikely that private providers would find this to be an attractive financial proposition given their profit motivation.

As detailed in paragraph 15 above, a survey of over 4000 homes to assess community fire safety perceptions, awareness and behaviours, found that the level of satisfaction expressed with the QFRA services is high. The survey established that 93% of people were either satisfied with the service or received a service above their expectations.

The objectives of the legislation are achieved through the current model of service provision, which incorporates a fire levy as an equitable basis for the provision of fire and rescue services and also through the provision of some special powers to fire and rescue officers which allow them to complete their duties effectively. The benefits to the community, as evidenced by the public's high level of satisfaction with fire and rescue services, outweigh the costs.

19 Quantitative Impact Statement

19.1 Current proposed regulation

The following figures are based on the financial year 1999-2000 and are extracted from QFRA financial statements and are expected to increase only in line with CPI for the ensuing financial years.

COSTS	\$	BENEFITS	\$
Community	171.20M	COMMUNITY	
• Fire Levy Fees collected		Benefits to the Community are quantified in the following manner:	
Local Government	3.08M	EMERGENCY RESPONSE	
• Fire Levy Collection Cost		Attendance at Fires and false alarms	28.98m
		Road Accident Rescue	3.3m
		Chemical Incidents	0.393m
		Special Services	0.429m
		Other rescues, medical responses and mutual aid	0.255m
		Emergency Call taking	6.136m
Queensland Fire and Rescue Authority	0.18M	OPERATIONAL MANAGEMENT	
• Fire Levy Administration Cost		Station duties	
		Curriculum development and Training	141.979m
		Mechanical, equipment and asset support	
		Operational and staff support	
		Volunteer Management	8.320m

COSTS	\$	BENEFITS	\$
		PUBLIC SAFETY AND FIRE PREVENTION	
		Building Approvals	2.218m
		Compliance Inspections	1.366m
		School Education	1.553m
		Public Education	4.628m
		Fire Prevention Inspection and advice	6.509m
		Hazard mitigation	0.556m
		Fire Investigation	0.738m
		Commercial Training	1.58m
		Lives saved and injuries prevented as a result of Emergency Response, Operational Management and Public Safety and Fire Prevention	Not Quantifiable
		Infrastructure/Buildings saved as a result of Emergency Response, Operational Management and Public Safety and Fire Prevention	Not Quantifiable
TOTAL	174.46M	TOTAL	208.94M

20 Conclusions

The benefit of remaking the existing regulation outweighs all costs associated with this or other regulatory alternatives.

SCHEDULE 1

Due to the large size of this Schedule copies have not been provided.

If you would like a copy for briefing purposes, please contact Cabinet Secretariat and a copy will be provided.

SCHEDULE 2

Schedule 2 is being finalised by the Parliamentary Counsel.

ENDNOTES

1. Laid before the Legislative Assembly on . . .
2. The administering agency is the Department of Emergency Services.