

## Introduction

This Submission surmises more in-depth research commissioned by the UFU, to identify strategies to improve the performance of Tasmania's fire services and decrease the personal, financial and economic losses to Tasmanians from fires, natural disasters and major accidents.

## Budget Context

It is understood that the General Government sector does not have the fiscal capacity to meet demand, having reduced its recurrent revenue to the Tasmania Fire Services' (TFS) by \$1m per annum from 2011. After offsetting the payroll tax contribution from the TFS, this reduces the State Government's contribution to TFS operations to \$100,000 over the forward estimates. The recommendations contained would increase the payroll contribution and would give the State Government a net surplus from TFS operations. (TFS 2)

The Submission provides recommendations which meet the Government's stipulated 2012–13 Budget Development Context by:

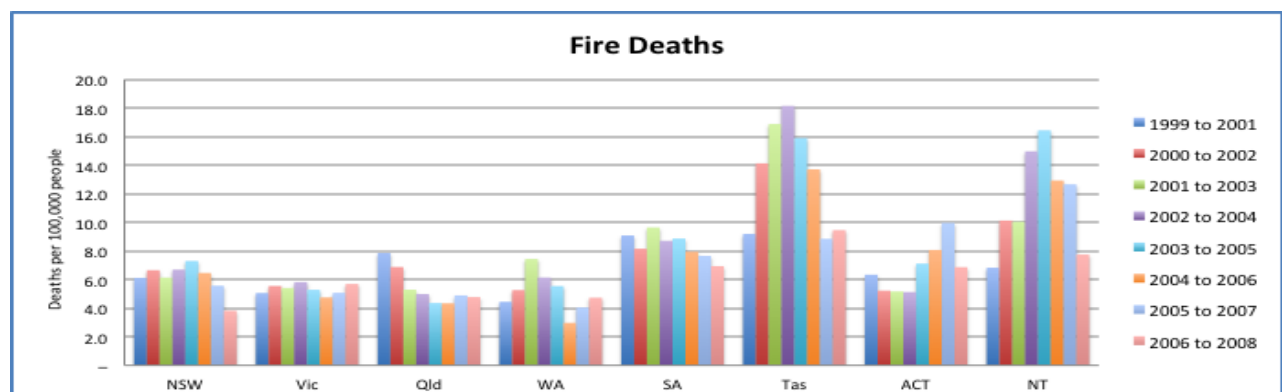
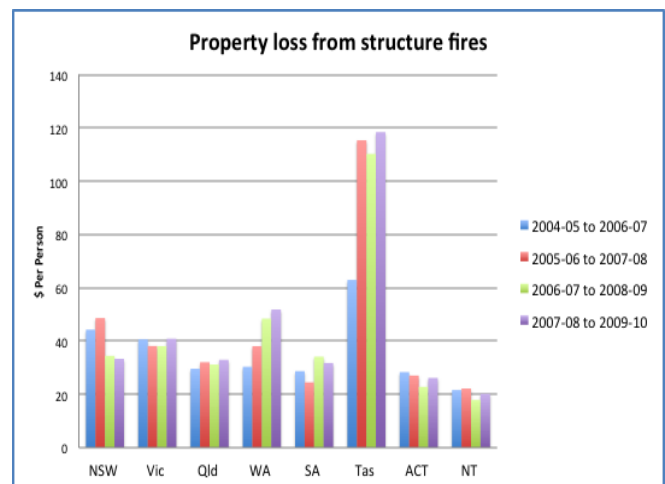
- Contributing to the State Budget financial position over the forward estimate period
- Enhancing the productivity of Tasmania's fire protection and emergency services through prioritising strategies with the greatest value to Tasmanians
- Supporting Tasmanian economic growth through mitigating accelerated losses and reducing the associated cost-escalation, while increasing services to industry

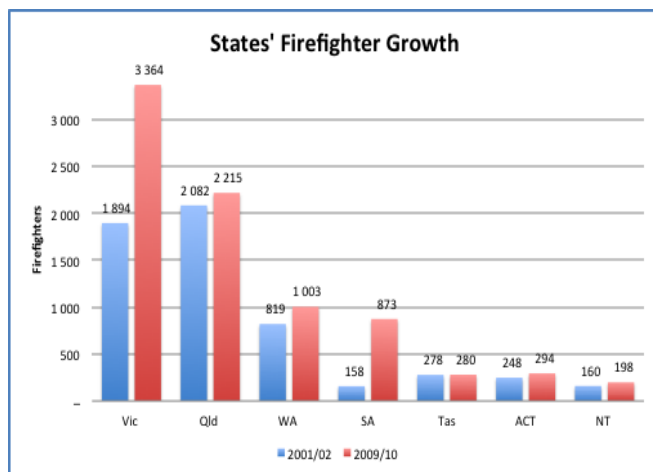
## Key Issues

### Escalating losses

Tasmania is unparalleled nationwide for its high and escalating personal and financial cost of fire damage.

The TFS consistently excuse their under-performance against every other State and Territories with reference to 'unique' factors such as demography and income. A snapshot of other States and Territories show they have been more effective in allocating resources to their 'unique' factors.



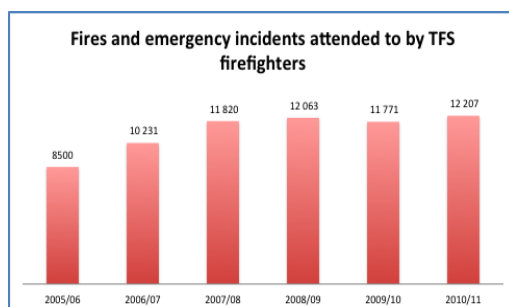


## Unmet historical demand growth

One of the distinguishing features of Tasmania fire services is the stagnant number of permanent firefighters over the past decade, or more. This amounts to a reduction in service value to each Tasmanian with their coverage diluted by increases in population, building structures, fires and emergency incidents. Moreover, in 2011, 12 positions were left vacant, there was no operational recruit course and current cost-cutting considerations put a further

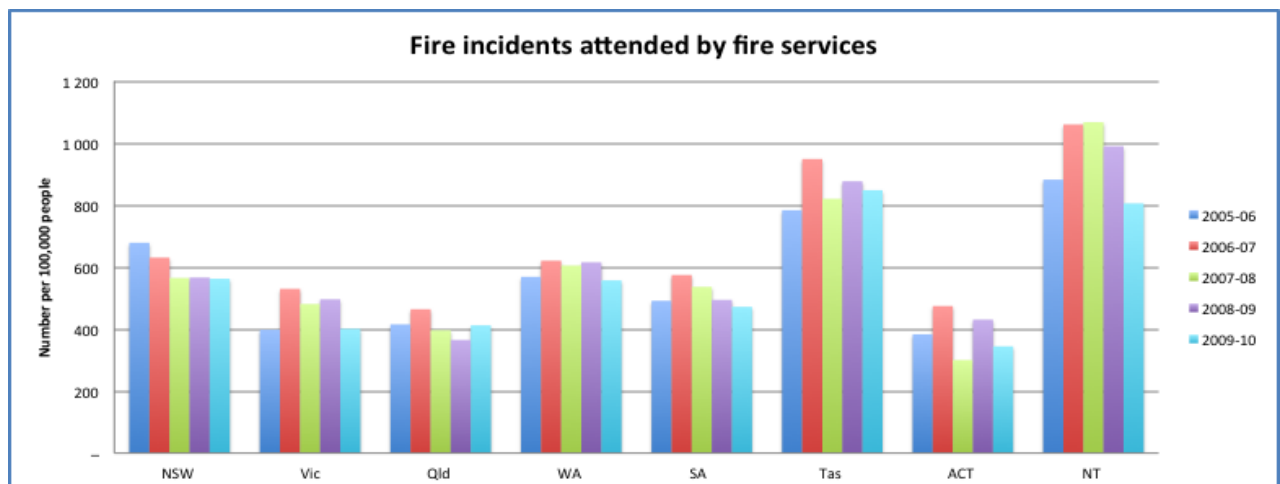
22 positions at risk.

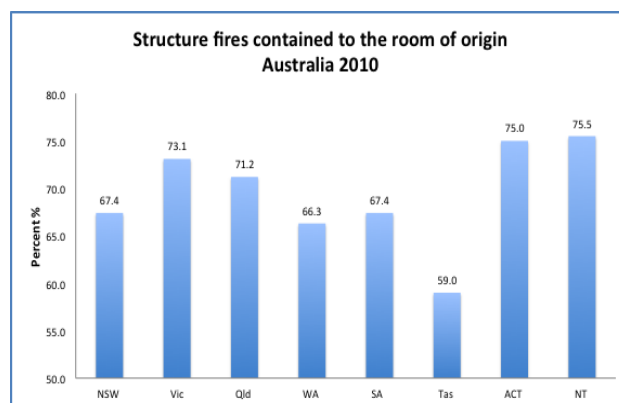
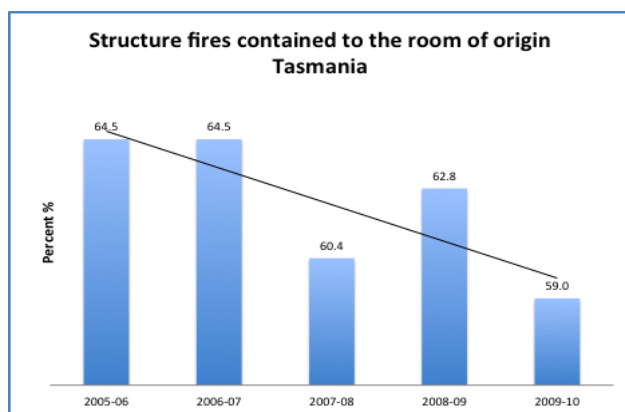
The productivity of the fire service is unquestionably high, with marked increases in fires and emergency services attended over the past several years. These rates of attendance are also substantially higher than the national average.



However there is real evidence that the capacity constraints inhibit further productivity gains. The relative marginal benefit from allocating revenue out of the service is borne by Tasmanians at a much higher cost. I.e. Fire insurance premiums have risen

The relatively lower and declining percentage of fires not contained to the room of origin is evidence of the link between capacity constraints and real cost escalation for Tasmanians.





## Resourcing Requirements

There is evident need to improve operational capacity of the TFS by more effectively allocating resources. Comprehensive analysis by the Centre of Full Employment and Equity has identified the means for the most productive allocation of resources, which form the basis for this Submission's Recommendations (CofFEE a). The strategies recommended are complimentary and should be interpreted in combination, but have been prioritized in accordance Submission Guidelines.

### Priority 1 – Budget Neutral Revenue Sustainability

The indexation of the fire contribution levy to be increased by 2% per annum.

Increasing the fire contribution levy from landowners is the most equitable and efficient means of allocating fire services' funding to their primary beneficiaries, while producing a net public benefit Statewide. The Fire Service Act 1979 provides for a 5% annual increase.

#### Indexation Increase

The indexation increase, amounts to an annual contribution from landowners of between \$1.04 - \$4.40. The amount varies between landowners according to risk and means adjustments.

In aggregate, the difference in the annual increase of 2%, to landowners is as follows:

	2012/13	2013/14	2014/15
Difference in Annual increase	\$ 665,142	\$ 718,353	\$ 774,824

The cumulative contribution to the State Fire Commission over the forward estimates by the year to June 2015 is \$2.1 million.

#### Economic Benefit

If effectively invested in core fire and emergency services, the revenue increase to property owners will be offset; indirectly by a reduction in value of property and lives lost, as well as directly from lower inflation of commercial insurance premiums.

Insurance premiums are calculated including probability of fires, severity and property value loss and deaths, all of which Tasmania has the poorest record in Australia.

Tasmanians currently spend \$51m per annum on private Fire and ISR insurance, up from \$36m in 2007. Total premiums have been increasing at approximately 9% per annum, compared to the national average of 4.5%. (APRA 1)

The increase in indexation is consistent with the national trend in increasing the proportion of revenue directly from property related sources.

In contrast, the relative contribution from Tasmania's fire service contribution levy, has fallen from contributing 52% in 2000 to 46% in 2011. (SFC a)

## **Sustainability**

At its current rate of 3%, the fire service contribution levy's indexation rate has fallen below CPI. This amounts to a real reduction in income to the fire services of 1.9% (ABS. c).

It is this reduction in real revenue, along with the State's revenue reduction, which is causing operating deficits at the TFS, leading to chronic deficits within the forward estimates period (SFC a).

With its projected deficits, the TFS lacks sustainable revenue to enable it to invest in productivity and revenue enhancing activities.

Increasing the indexation by 2% is consistent with the *Fire Service Act 1979* which provides for annual indexation increases of 5%.

## **Priority 2 – Productivity gains from evidence based allocation of resources**

The revenue be directed to meet unmet historical demand growth for core service delivery and allocated according to evidence-based demand.

The number, location and equipment available to firefighters are central to their effectiveness. A core constraint on increasing productivity, ie. reducing aggregate losses, are the number and locations of full time brigades. The allocation of resources across regions must be reviewed, in light of AIRS data and adjusted to reflect population, demand and risk distributions.

The effectiveness of firefighters is also highly contingent on the accessibility of required equipment. The historical operating budget of the TFS provided for scheduled equipment upgrades. The reduction in resources will rapidly worsen a backlog of equipment needs and the capacity for fire services to respond. As the backlog mounts, fire services effectiveness will become increasingly ineffective.

Critical demand growth is also evident from increased environmental volatility and extreme weather incidents. While Tasmania has not had a 'mega-fire' since 2003, it has been experiencing a prolonged drought, which increases the frequency and intensity fires. Tasmania also experiences devastating floods and the La Nina environmental conditions increase the probability of severe natural disaster events in the immediate future.

## **Priority 3 – Business Development of TasFire Training**

The Tasmania Fire Service is proposing to cease the delivery of training and other services which provide commercial revenue and productivity growth. There is no operational justification for reducing the capacity to train professional, volunteer and commercial personnel in emergency, safety and fire protection skills acquisition.

TasFire Training has previously been a profitable enterprise, until TFS began ceasing revenue positive courses for Tasmanian and Antarctic industries.

### **Economic dis-benefits**

- Reduced capacity for increasing Commonwealth contributions through bushfire, community safety and RTO training grants
- Reduced capacity to increase commercial revenue and support commercial investments
- Inability to cost-effectively train volunteers
- Under utilisation of existing skilled resources to conduct training and education programs
- Increased cost to government agencies to undertake training as Community Service Obligation by TasFire Training cease.
- Increased interstate training – export training and associated revenue interstate
- Reduced service delivery and partnership with strategic industries, such as mining and Antarctic operations.
- Reduced ability to maximize synergies with community education programs

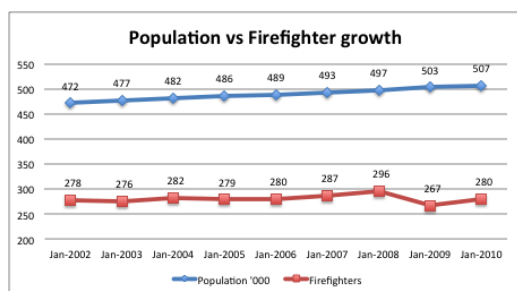
- Reduce Tasmania's capacity to respond to fire risk, loss of life and property damage
- Contingent liabilities to the State from losses from through willfully reducing the capacity for the community to protect itself from natural disasters.

#### **Recommendations**

- 1. It is recommended that the landowners' fire service contribution levy indexation be increased by 2% per annum.**
- 2. It is recommended that the revenue be directed according to evidence-based evaluation of unmet historical demand growth for core service delivery.**
- 3. It is recommended that the TFS reallocate resources to invest the Business Development to TasFire Training to increase service delivery and revenue growth.**

## Footnotes and References

ABS b) 3101.0 - Australian Demographic Statistics, Jun 2011 Quality Declaration 19/12/2011



The Tasmanian population grew by approximately 7.5% from 4.7 million people to 5.1 million over the past decade. Firefighter numbers grew at 0.72%, or two people.

ABS. c). ABS Statistics CAT: 1367.0 - State and Territory Statistical Indicators, 2011 23/01/2012

APRA 1. Australian Prudential Regulator of Australia: Statistics in Half Yearly General Insurance Bulletin 2006 - 2011

### Centre of Full Employment and Equity - UFUA Commissioned Research

Cook, Beth Quirk, Victor and Mitchell William

1. A Fire Safe Community,
2. The adverse social and economic consequences of reducing TFS capacity to manage fire risk and respond effectively to fire
3. TasFire Training Closure
4. Tasmania's Standard of fire cover

January 2012

### FSC a ) State Fire Commission 2012 – 2013 Budget Estimates

### Productivity Commission: Report on Government Services 2005 - 2011

#### Tables

Table 9A.5	Fire service organisations' human resources
Table 9A.6	Fire deaths
Table 9A.9	Property loss from structure fire (2009-10 dollars per person)
Table 9A.10	Total fire incidents attended by fire service organisations per 100,000 persons
Table 8A.14	Structure fires contained to the object or room of origin (per cent)
Table 8A.10	Total fire incidents attended by fire service organisations per 100,000 persons

### TFS Tasmania Fire Service Annual Reports 2005 - 2011

## TFS 2 – Indexation and Payroll Revenue

Difference in Annual increase is

	2012/13	2013/14	2014/15
5%	1,662,854.00	1,745,997.00	1,833,297.00
3%	997,712.00	1,027,644.00	1,058,473.00
	665,142.00	718,353.00	774,824.00

Total difference

	2012/13	2013/14	2014/15
	34,254,806.00	35,282,450.00	36,340,923.00
	34,919,947.00	36,665,945.00	38,499,242.00
	665,141.00	1,383,495.00	2,158,319.00

The following figures represent the increase in payroll tax to the State Budget if the 2% indexation is applied to increased firefighter and TasFire Training employees. The figures are from the State Revenue Office, the TFS Annual Report 2011/12 and the State Fire Commission Budget 2012/13.

	2012/13	2013/14	2014/15	
total salaries	\$41,142,000	\$42,160,000	\$43,331,000	
	\$665,141	\$1,383,495	\$2,158,319	
	\$41,807,141	\$43,543,495	\$45,489,319	
\$0	\$2,550,235	\$2,656,153	\$2,774,848	
Payroll				
6.1%	\$2,509,000	\$2,571,000	\$2,643,000	
\$0	\$2,550,235	\$2,656,153	\$2,774,848	
	\$41,235	\$85,153	\$131,848	\$258,236

The total Payroll Tax benefit to the State Government with the 2% indexation amounts to \$258,236