



16 August 2017

Nicola Cusworth
Chair, Economic Regulation Authority
Level 4, Albert Facey House
469-489 Wellington Street
Perth WA 6000

Dear Nicola,

Please find attached a submission from the Pastoralists and Graziers Association of WA (PGA) in response to the *Review of the Emergency Services Levy: Draft Report*.

The PGA welcomes this opportunity to contribute to the review of the ESL being conducted by the ERA.

We look forward to the release of the ERA's Final Report later in the year.

Yours sincerely

Tony Seabrook ✓
PGA President

Gary Peacock
Chair PGA Private Property
Rights & Resources Committee
PGA representative on the
State Bushfires Consultative
Committee (SBCC)

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Review of the Emergency Services Levy by the Economic Regulation Authority



Submission from Pastoralists & Graziers Association of WA

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Submission from Pastoralists & Graziers Association of WA in response to the Draft Report

The Pastoralists and Graziers Association of WA (PGA) welcomes the opportunity to contribute to the review of the Emergency Services Levy (ESL) being undertaken by the Economic Regulation Authority (ERA).

This current PGA submission is in specific response to the Draft Report released by the ERA on 7 July 2017¹. It builds on the PGA submission² made in response to the Issues Paper released by the ERA on 30 January 2017³.

The PGA congratulates the ERA on the quality of its Draft Report. The PGA believes that input from a diverse range of stakeholders combined with rigorous research and analysis by the ERA has exposed the nature, governance and uses of the ESL to a level of scrutiny that is long overdue.

The PGA is confident that if the resulting recommendations are implemented there should be a significant positive impact on the efficiency, effectiveness and economy of the collection and expenditure of the ESL. With specific respect to the issue of bushfire management, which is of great interest and significance to PGA members, implementation of the recommendations is expected to result in a significant improvement in the management of bushfires; in particular the support for volunteer bushfire brigades.

In general, the PGA is supportive of all recommendations, ranging from strongly supportive through to supportive with caveats. There is only two recommendations that the PGA does not support – Recommendations 13 and 16c.

While PGA understands the ERA review covers all emergency-related activities funded through the ESL, our submission will primarily focus on regional bushfire management; as bushfire is probably the largest emergency-related threat to the business and domestic assets of PGA members.

PGA Background:

The PGA is a non-profit industry organisation established in 1907, which represents primary producers in both the pastoral and agricultural regions in Western Australia. Members include pastoral leaseholders and freehold farmers through the full spectrum of some of Australia's largest corporate pastoral groups to family-owned companies and trusts and individual landholders in Western Australia.

¹ Economic Regulation Authority, *Review of the Emergency Services Levy: Draft Report*, Government of Western Australia, 2017

² Pastoralists & Graziers Association of WA, *Submission to the Emergency Services Levy Review*, 10 March 2017

³ Economic Regulation Authority, *Review of the Emergency Services Levy: Issues Paper*, Government of Western Australia, 2017

The PGA's core and guiding principles are Subsidiarity⁴, Self-interest, Self-reliance, Property Rights, Rule of Law, Free Markets, Competition, Lean⁵, Small Government and Reduced Regulations.

Relevance of Bushfire to PGA members

Effective, efficient and economical management of bushfire is a significant issue for members of the PGA. Bushfire is a constant threat with the potential to devastate or significantly impact on agricultural business activities. This in turn can have devastating impacts on rural and regional economies. At a personal level, because PGA members' businesses are also their homes, bushfires can also have a devastating social impact.

PGA Member Involvement in Bushfire Management is Significant

The majority of PGA members actively participate in regional volunteer fire brigades throughout Western Australia, with many taking leadership roles. Collectively, PGA members represent a significant repository of operational knowledge and experience concerning fire management in rural and remote environments.

The PGA regards active participation of its members in fire management to be an integral element of farming operations. Managing fire-related risks on and surrounding their farming properties is part of a farmer's job description. In this sense, experienced farmers are not 'volunteer' fire fighters, but tend to be highly competent bushfire fighters as part of their profession. At the rural community level, a strong culture and practice of community volunteerism translates into farmers and volunteers from rural towns and non-agricultural businesses coming together to successfully manage bush fires. The PGA is deeply concerned about government interventions that have, or could potentially undermine volunteerism and civil society⁶ in rural and regional Western Australia.

The PGA's response to the Draft Report's Recommendations:

Key Recommendations:

1. The basic structure of the ESL system should be retained. (Ch. 6)

Support - The PGA agrees that there needs to be some level of community-based funding for community level activities above and beyond those conducted by individual land owners or land managers. However, the PGA believes that there is clear need for a framework of planning, budgeting, expenditure and reporting so that 'demand' for ESL funding is not relentlessly increasing. The PGA believes that implementation of the Draft Report's Recommendations should result in a significant savings without compromising the quality of fire and emergency outcomes expected by the general public of Western Australia.

2. Gross rental value should be retained as the basis for calculating ESL rates. (Ch. 6)

⁴ Subsidiarity - the principle that decisions should always be taken at the lowest possible level or closest to where they will have their effect, for example in a local area rather than for a whole country;
<http://dictionary.cambridge.org/dictionary/english/subsidiarity>

⁵ LEAN simply means creating more value for customers with fewer resources (<https://www.lean.org/WhatsLean/>)

⁶ M. Husek, Volunteerism and Civil Society, IPA Review, August 2016, pp 38-41.

Support - At this stage the PGA supports the continued use of GRV for calculating ESL rates.

3. The agency that advises the Minister for Emergency Services on ESL revenue and rates should not benefit from the ESL. (Ch. 8)

Strongly Support – The PGA believes that from a good governance perspective, it is imperative that the agency advising the Minister for Emergency Services on ESL matters does not have a financial conflict of interest.

4. The Office of Emergency Management should be given the oversight functions of advising the Minister for Emergency Services on the amount of ESL revenue required, and on ESL rates. (Ch. 8)

Support - The PGA supports the ERA analysis of potential organizations that could administer the ESL⁷. The PGA would accept the OEM taking the role in question as long as it was made independent of the DFES as suggested.

5. The Office of Emergency Management should be made independent of the Department of Fire and Emergency Services. It should report directly to the Minister for Emergency Services rather than the Fire and Emergency Services Commissioner. (Ch. 8)

Strongly Support - However, the PGA believes that the proposed OEM role should periodically be subjected to audit by either the Office of Auditor General or the ERA.

6. The Office of Emergency Management should oversee how the Department of Fire and Emergency Services (and a rural fire service if established) (Ch. 8):
a. allocates ESL funds to stakeholders; and

Support

b. spends its share of ESL funds.

Support

7. The Office of Emergency Management should be the body of appeal for ESL-related issues, and the Fire and Emergency Services Commissioner's appeal role should be revoked. (Ch. 8)

Support

8. The Department of Treasury should undertake a review of the Department of Fire and Emergency Services' structure, resources and administration costs to determine whether services are efficiently delivered. (Ch. 8)

Strongly Support – The PGA believes that it is imperative that the Department of Treasury (or the ERA) reviews DFES institutional structures and processes. This should result in the identification of opportunities to reduce the cost of DFES processes and thereby reduce the ESL allocation required. The PGA believes that the development and maintenance of a Lean Culture within DFES is both essential to ensure implementation of any recommendations from a review by Department of Treasury (or the ERA) as well as an ongoing commitment and practice of organizational efficiency.

⁷ Economic Regulation Authority, *Review of the Emergency Services Levy: Draft Report*, Government of Western Australia, 2017, pp.172-5

9. The ESL should be used to fund prevention undertaken by the Department of Fire and Emergency Services, bush fire brigades and State Emergency Service units that have community-wide benefits or which involve coordination of prevention across land tenures. (Ch. 3)

Strongly Support

10. The ESL should be used to fund the preparedness activities of the Department of Fire and Emergency Services, the bush fire brigades and State Emergency Service units that have community-wide benefits. (Ch. 3)

Strongly Support

11. The ESL should be used to fund the response activities of the Department of Fire and Emergency Services, the bush fire brigades and State Emergency Service units. (Ch. 3)

Strongly Support

12. The ESL should not be used to fund the costs of recovery. (Ch. 3)

Strongly Support – The PGA is strongly of the view that funding of recovery through the ESL may reduce incentives for people to undertake prevention and preparedness activities, and from taking out insurance.

13. The ESL should be used to fund the administration costs of the Department of Fire and Emergency Services. (Ch. 3)

Do Not Support - *The PGA strongly believes that the ESL exists to fund emergency services and not administrative costs of any organization including DFES. The administrative costs of DFES should be funded out of general government revenue as is the case for all other departments. We do not have issue with ESL being used to fund any operational emergency services activities undertaken directly by DFES. However, delineating between administrative and emergency services operations would require a rigorous independent review of DFES process.*

If the ESL is used to fund DFES administration costs, then it should only be after a rigorous review by Department of Treasury (or the ERA), implementation of subsequent recommendations to improve DFES administrative structures and efficiencies, and a periodic review of DFES to ensure efficiencies are maintained over time.

14. The ESL should be used to fund the full costs of the Community Emergency Services Managers in local government (Ch. 3).

Support with Caveat – The PGA supports the general thrust of this recommendation. However, we believe that the role and management of the CESMs needs to be significantly improved. Our recommendation is that single CESMs are fully employed, by the proposed Rural Fire Service, to undertake fire management related activities across a number of rural local government jurisdictions. Their role would be to help coordinate planning across a large number of rural bushfire brigades, to facilitate liaison between rural bushfire brigades and the local governments, to identify capacity gaps and help facilitate filling those gaps through building capacity in volunteers and nurturing a volunteer culture where needed. The role of

CESMs should be the development of volunteer capacity, not replacing volunteer roles or administrative processes that should be undertaken by healthy volunteer organizations.

14. (Cont.) However, it should not be used to fund the broader emergency service and management responsibilities of local government, or the administration costs linked to bush fire brigades and State Emergency Service units. (Ch. 3)

Strongly Support - The PGA believes as a general principle, the ESL should not be used to fund activities that have other well established and more appropriate funding sources. The ESL must not be seen, or used, as a substitute source of funding, by WA government departments or local governments.

15. The Office of Emergency Management should compensate local government for the cost of collecting ESL revenue (including the costs of recovering unpaid debts and any ESL revenue that cannot be recovered). (Ch. 8)

Support with Caveat – The PGA believes that local governments should be compensated for the cost of collecting ESL revenue. However, there needs to be a process that ensures that the cost being claimed by each local government has legitimacy; given the diversity of local government jurisdictions across Western Australia, the PGA would expect collection costs to vary between a Perth, rural, regional and remote local governments.

16. If a rural fire service is established, the ESL should be used to fund the efficient costs of (Ch. 7):
a. response activities;

Support

b. prevention and preparedness activities that have community-wide benefits; and

Support

c. the administration costs of a rural fire service.

Do not Support – *The PGA is of the general view, as articulated in our response above to Recommendation 13, that administrative costs associated with running government departments and agencies should be funded from general revenue and not to a hypothecated levy or tax.*

17. New emergency services legislation should clarify the extent to which the Department of Fire and Emergency Services and local governments are obliged to undertake prevention activities, and whether these activities may be funded from the ESL. (Ch. 3)

Support - The PGA believes that clarification of roles, obligations and which activities are ESL fundable is absolutely critical if the historical growth in demand for ESL funding and the aggregate collection of ESL are to be contained and managed in a transparent and accountable manner. As a caveat, the PGA is strongly of the view that any 'modernization' of the existing emergency-related Acts should be undertaken with caution, so as not to lose critical elements that establish, define and protect the role of volunteer bushfire brigades.

Recommendations: Method for setting the ESL

18. Grouping of properties should be discontinued for the purpose of calculating the ESL. (Ch. 6)

Support – The PGA supports consistency within the ESL framework.

19. A levy on boat registrations should be introduced to fund the direct costs of the Volunteer Marine Rescue Services. (Ch. 6)

Support

20. Road crash rescue services should continue to be funded from the ESL. (Ch. 6)

Support – The PGA would support this until activity based costing is established, as suggested by the ERA⁸

21. Landgate should conduct another review of land classifications in the Swan Valley to ensure that vineyards are classified appropriately. (Ch. 6)

Support – The PGA notes that though this is unlikely to make a significant difference to ESL rates overall⁹, it is important that there is consistency within the ESL framework.

Recommendations: Decision-making framework

22. The Department of Fire and Emergency Services should implement activity based costing to allow for robust analysis. (Ch. 5)

Strongly Support

23. The Department of Fire and Emergency Services should use its cost and incident data to determine the direct costs of providing emergency services to each of the five ESL categories. (Ch. 6)

Strongly Support

24. The Department of Fire and Emergency Services should implement the ISO 31000 standard across its business activities. (Ch. 5)

Strongly Support – The PGA believes that the implementation of ISO 31000, and any other relevant ISO standards for organizational and business process excellence, will help ensure the development and application of a rigorous framework of planning, implementing, monitoring and reporting of emergency services undertaken by DFES to stakeholders. However, PGA is concerned that in implementing ISO standards, or any management system, there is an inherent danger that a ‘gold plated’ system is developed which will result in new operational and financial burdens and inefficiencies. Quality Assurance and management systems need to be implemented with a strong Lean philosophy and practice to ensure the minimum elements are implemented to deliver the maximum benefit.

⁸ Economic Regulation Authority, *Review of the Emergency Services Levy: Draft Report*, Government of Western Australia, 2017, p. 141

⁹ Economic Regulation Authority, *Review of the Emergency Services Levy: Draft Report*, Government of Western Australia, 2017, p. 143.

25. The Department of Fire and Emergency Services should finalise and implement the Capability Framework. (Ch. 5)

Support

26. The Department of Fire and Emergency Services should require cost-benefit analysis to be prepared for all major funding allocation decisions. (Ch. 5)

Strongly support – but needs detailed reporting framework to ensure necessary information is made transparent to stakeholders.

27. The Department of Fire and Emergency Services should require post-project cost-benefit reviews to be presented to senior decision-makers to enable assessment of the effectiveness of past decisions. (Ch. 5)

Support

28. Grants manuals should be made consistent between all volunteer organisations where it makes sense to do so. (Ch. 8)

Support – The PGA believes that a single Grant Manual could be developed for all volunteer organizations that covers all the common elements, but also includes a Chapter(s) that addresses any unique aspects for specific volunteer organizations.

Recommendations: Setting ESL rates

29. The Office of Emergency Management should consult stakeholders when (Ch. 8):

- a. determining the ESL revenue to be allocated to stakeholders; and
- b. advising the Minister for Emergency Services on ESL revenue and rates.

Support – The PGA believes that a detailed stakeholder engagement framework needs to be developed to ensure that quality engagement of stakeholders is properly planned, undertaken and reported on.

30. The Office of Emergency Management should prepare a report to the Minister for Emergency Services recommending total ESL revenue and rates. The Minister should table the report in Parliament within 28 days of receiving it. (Ch. 8)

Support – The PGA believes that the report to the Minister for Emergency Services should include detailed planned expenditures as well as measures undertaken to keep planned activities as lean and as efficient as possible.

31. The Department of Fire and Emergency Services (and a rural fire service if established) should provide a report to the Office of Emergency Management explaining how it has spent ESL funds and the rationale for this expenditure. (Ch. 8)

Strongly Support

Recommendations: Transparency

32. The Office of Emergency Management should prepare and publish an annual report on the ESL. (Ch. 8)

Support – The PGA believe that a detailed reporting framework needs to be established to ensure all critical information is transparently available to all stakeholders; from ESL contributors through to Ministers.

33. The Office of Emergency Management should prepare a brochure on the ESL and provide it to local governments to distribute with rate notices. The brochure should explain the purpose of the ESL and that it is a State Government levy, and describe how ESL revenue is raised and spent. (Ch. 8)

Strongly Support – The PGA believes that it is essential that ESL payers are better informed about the ESL as part of raising the transparency and accountability of the whole scheme.

34. The Office of Emergency Management should prepare annual estimates of the funding required by the Department of Lands and the Department of Parks and Wildlife to conduct prevention activities on their estates. These estimates should be published in the annual report of each agency, along with the amount of funding provided by the State Government. (Ch. 3)

Strongly Support – The PGA believes greater transparency and accountability across all government agencies with prevention responsibilities are essential if we are to establish a state wide coordination of prevention activities as well as deliver financial and operational efficiency dividends.

35. The Department of Fire and Emergency Services should publish data in accordance with the State Government's *Whole of Government Open Data Policy*. (Ch. 8)

Support

36. The Office of Bushfire Risk Management should require local governments to publish their bushfire risk management plans and treatment strategies. (Ch. 3)

Support

37. The Department of Fire and Emergency Services should publish a capital grants manual for volunteer organisations it manages (for example the Volunteer Fire and Rescue Service). (Ch. 8)

Support

Key Contacts in Pastoralists and Graziers Association for this submission:

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