



Association of Volunteer  
Bush Fire Brigades WA inc  
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Ms Nicky Cusworth  
Chair  
Economic Regulation Authority  
Perth WA

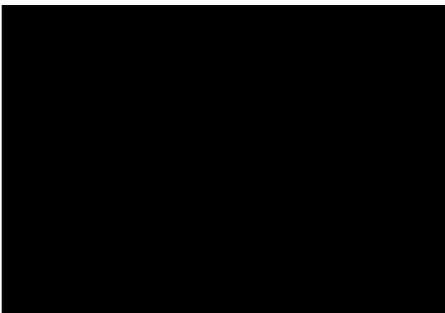
Dear Ms Cusworth,

Please find attached the submission by the Association of Volunteer Bush Fire Brigades to the Economic Regulation Authority on the review of the Emergency Services Levy.

We are still receiving feedback on this issue as all our state regional committees are underway from this week onwards so we will continue to forward information as it comes to hand. We would also respectfully request that we can meet with you to further explore issues in this regard into the future.

Thank you for giving our submission your due consideration and for agreeing to our request for additional time to complete it.

Yours sincerely,



Dave Gossage AFSM  
State President  
Association of Volunteer Bush Fire Brigades

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## **Review of the Emergency Services Levy**

### **Submission by the Association of Volunteer Bush Fire Brigades**

#### **The Critical Question**

The most critical question asked by the Economic Regulation Authority was whether the Emergency Services Levy is currently spent in the best way to manage risk from bush fires and other hazards.

In respect of bush fire risks, the answer is an unqualified NO because the Local Government Bush Fire Service, that critical emergency services arm that protects hundreds of communities from bush fires, has been financially neglected in the distribution of Emergency Services Levy (ESL) revenue.

The Bush Fire Brigades, made up of an estimated 577 Volunteer Bush Fire Brigades, is the critical arm of our emergency services sector that responds to hundreds of bush fires every year, fires that are stopped from becoming major bush fires with all the risk of major property losses and threat to lives.

Our analysis comparing ESL revenue growth, DFES expenditure growth and ESL funding for Local Government Volunteer Bush Fire Brigades demonstrates neglect of the Bush Fire Brigades. This is contrary to community interest in maximising our ability to manage bush fire risks by funding and equipping our major front line Bush Fire Brigade in line with the community's contribution through the ESL.

The neglect in funding for the Local Government Bush Fire Brigades has significant flow on consequence including failure to maximise our capacity to manage bush fires and increase the risk by a decline in mitigation burning by volunteers due to lack of funding and resourcing.

In order to be able to provide more detailed recommendations as to how the levy should be allocated, the AVBFB, like anyone else, will need the ERA to obtain from DFES and publish relevant and detailed information on current expenditure.

This task should not be difficult as the information is available but DFES need direction to put it into relevant form and release it. DFES should release expenditure data at a more detailed level, such as separating direct career fire station staff and costs separate to its other activities, which should also be reported on as individual activity hubs. Furthermore, this detail should further be refined to show spending by geographical area.



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## Identifying the neglect of the Bush Fire Brigades

An analysis comparing ESL revenue growth, DFES' expenditure growth and funding for the Bush Fire Brigade makes a powerful statement about the financial neglect of Bush Fire Brigades.

The table below shows a remarkable divergence in growth between ESL revenue and DFES' expenditure compared with grant funding for the Volunteer Bush Fire Brigades over the 12 year period from 2004/05 to 2015/16

During that period:

- ESL revenue has increased by 198%;
- DFES expenditure excluding grants for BFB and SES has grown by 171%.
- Grant funding for the Volunteer Bush Fire Brigades increased only 68%.

The enormity of this divergence between ESL revenue growth and DFES' expenditure growth compared to Bush Fire Brigades funding can only be explained as neglect of the BFB by DFES in deciding how to apportion ESL funding.

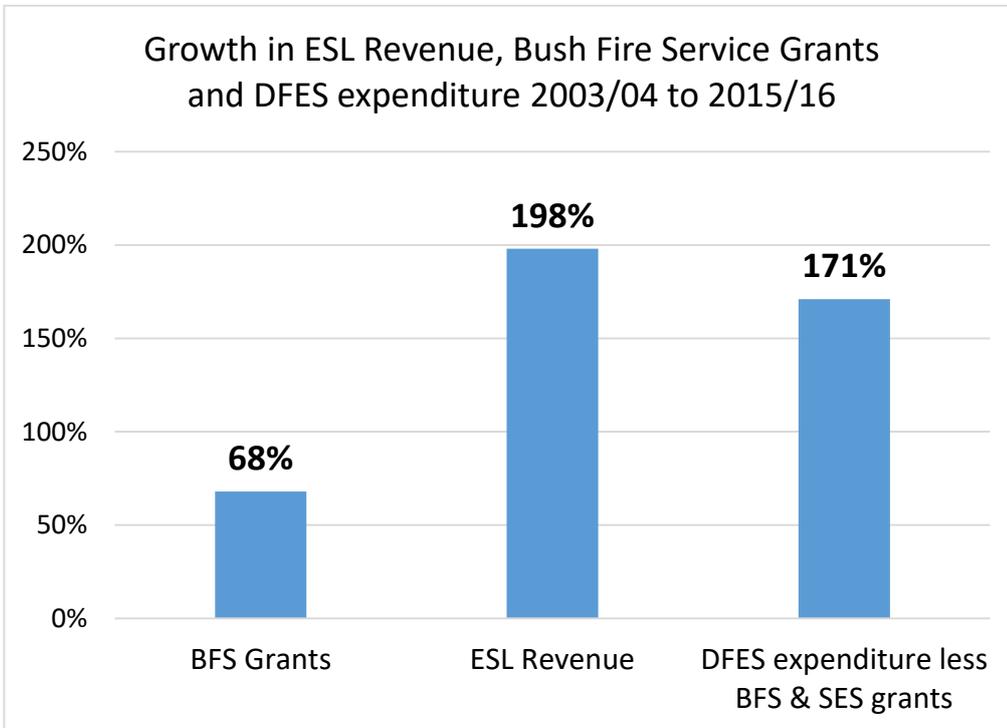
This seemingly deliberate neglect of the Local Government Bush Fire Brigades is further demonstrated by the decline in the proportion of ESL revenue directed to it, falling from 11% to a mere 6% of ESL.

| Year    | BFB<br>Total<br>Grants<br>\$<br>million | ESL<br>Revenue<br>\$ million | BFB<br>Grants<br>as %<br>of ESL<br>% | DFES<br>expenditure<br>\$ million | DFES<br>expenditure<br>less BFB &<br>SES grants<br>\$ million |
|---------|---|------------------------------|--------------------------------------|-----------------------------------|---|
| 2003/04 | 12.77                                   | 112                          | 11%                                  | 145                               | 129,168   |
| 2004/05 | 11.8                                    | 126                          | 9%                                   | 172                               | 156,985   |
| 2005/06 | 11.8                                    | 139                          | 8%                                   | 182                               | 167,508   |
| 2006/07 | 13                                      | 150                          | 9%                                   | 222                               | 206,353   |
| 2007/08 | 13.6                                    | 165                          | 8%                                   | 218                               | 202,021   |
| 2008/09 | 13.6                                    | 173                          | 8%                                   | 224                               | 207,763   |
| 2009/10 | 13.3                                    | 184                          | 7%                                   | 258                               | 240,856   |
| 2010/11 | 20.4                                    | 224                          | 9%                                   | 311                               | 283,268   |
| 2011/12 | 22                                      | 239                          | 9%                                   | 441                               | 410,674   |
| 2012/13 | 20.8                                    | 162                          | 13%                                  | 225                               | 200,430   |
| 2013/14 | 20.3                                    | 281                          | 7%                                   | 347                               | 321,579   |
| 2014/15 | 20                                      | 299                          | 7%                                   | 360                               | 334,385   |
| 2015/16 | 21.5                                    | 333                          | 6%                                   | 377                               | 350,180   |
| Change  | 68%                                     | 198%                         |                                      | 160%                              | 171%  |



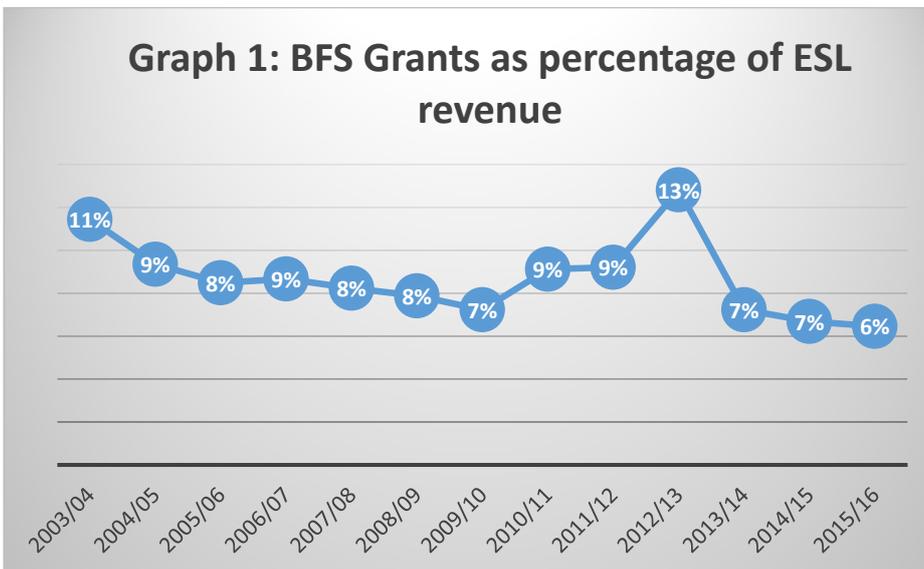
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## Bush Fire Brigades gets declining share of ESL funding – indicative of ESL priorities askew

The graph below shows funding allocated to Bush Fire Brigades has almost halved as a proportion of the ESL revenue, falling from 11% to a mere 6%.





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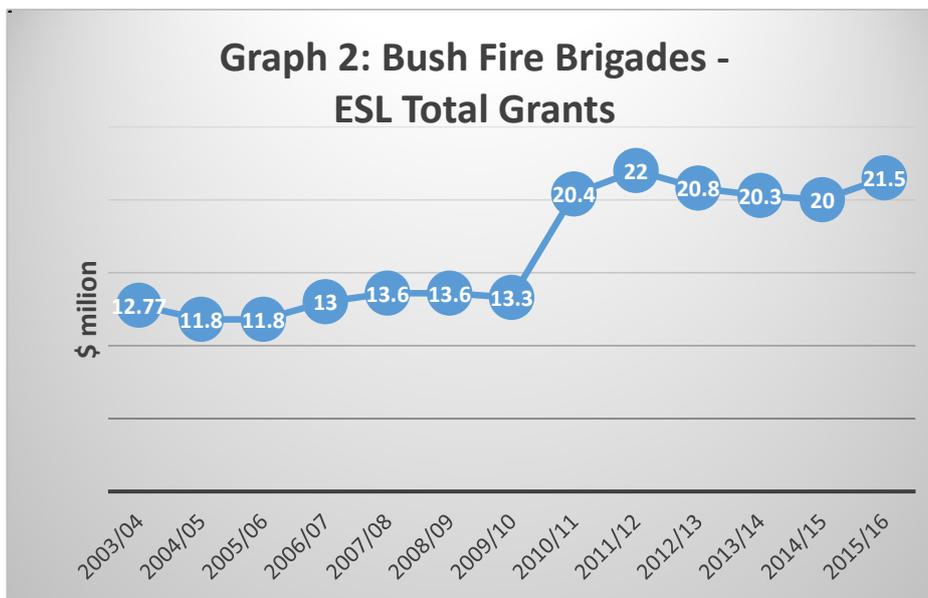
Graph 1 shows a temporary halt to the decline in the proportion of ESL funding for BFB 2010/11 when there was a significant lift in funding for the Bush Fire Brigades. The figure of 13% for 2012/13 can be ignored as the ESL revenue recorded in DFES' Annual Report declined significantly for one year, reasons unknown.

This one-off funding increase for the BFB came after 7 years of essentially flat funding as shown in Graph 2 (below). This funding increase was only a step towards overcoming those 7 years without funding growth. The absence of funding growth during those 7 years represents a significant cut in real terms after taking into account rising costs during that period, including fuel costs as petrol prices soared during that period.

It must also be noted that the increase in funding coincided with major bush fire losses and inquiry reports critical of DFES' involvement with the Bush Fire Brigades.

Furthermore, as clearly visible in Graph 2, the increase in funding in 2010/11 was a one-off increase and has subsequently been followed by 5 years of broadly flat funding, with minor decrease in most years since.

The value of the one-step funding increase in 2010/11 has largely been eroded in real terms since then without further increases to match rising costs.



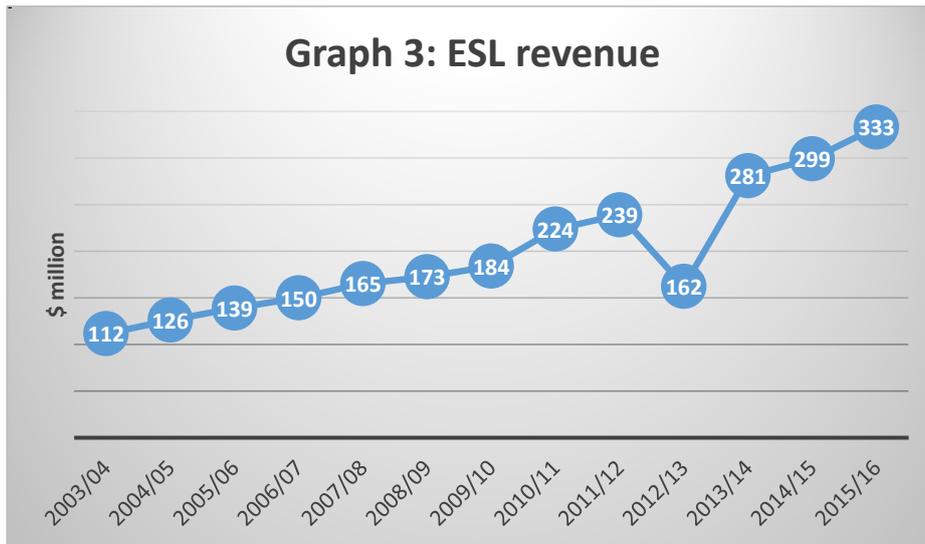
The extent of under funding for the BFB can be gauged by the comparisons in the table whereby DFES expenditure has increased by 171% against only 68% funding increase for the Bush Fire Brigades.



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Further evidence that the ESL has not been managed in the best way to deal with bush fire risks is indicated by the steady and significant ESL revenue growth shown in Graph 3 that has not translated in equally stable funding growth for the Bush Fire Brigades as shown in Graph 2.



## **ERA Specific questions**

The ERA is interested in feedback on the following aspects of the terms of reference for the review.

- Is revenue from the Emergency Services Levy allocated among different activities in a way that best manages risks from bushfires and other hazards?

Recent experience with major bush fires, involving large numbers of properties lost and loss of lives, compared to our experience over more than four decades without such losses strongly suggests that the ESL is not being spent in ways that best manage the bush fire risk faced by our communities in bush fire prone areas.

The AVBFB has undertaken the analysis that presents strong evidence that the Bush Fire Brigades have been neglected in the allocation of ESL revenue. Underfunding such a critical front line service is in itself evidence that the ESL has not been managed in a way that best manages the risk of bush fire and other hazards.

- In order to be able to suggest how the levy should be reallocated, we and the community need the ERA to obtain from DFES and publish relevant and detailed information on current expenditure.



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- Is the method used to set the Emergency Services Levy appropriate for meeting current and future needs?

Current method works efficiently in terms of collecting revenue though there may be room for minor adjustment to the threshold variations between the different tiers and to review the “response” based approach towards a risk based approach.

There has been a pattern of regular tinkering with boundaries that appear designed to support expansion of the career fire service, and possibly generate additional revenue, rather than address any genuine anomalies. Such changes have generally been to the detriment of the Local Government Bush Fire Brigades.

- To assist proper community discussion, ERA needs to publish very detailed information about the amount raised in each ESL category and separate figures showing amounts raised from households and businesses.
- ESL boundaries and how they are assessed needs to be reviewed beyond just that of response by looking at the full PPRR requirements.
- Review of corporate group ratings needed to ensure the system is not being used to avoid full corporate contributions by grouping land holdings together for ESL liability.

- Are the governance arrangements for administering the Emergency Services Levy transparent and accountable?

Current governance arrangements are not known to us as it appears to be a simple method whereby DFES decide how the ESL will be spent within the department and yet the Local Government Bush Fire Brigades and State Emergency Services funding is governed to the extent of micro management and totally controlled by Department of Fire and Emergency Services without any accountability for their own actions?

As the ERA discovered for itself, there is no transparency through the information in the annual reports making it difficult if not impossible to hold DFES accountable for its decisions.

Emergency Service organisations that are funded by the ESL have no role in decision making and importantly no avenue to dispute DFES decisions, other than appealing to the Department of Fire and Emergency Services Commissioner, on the use and distribution of the ESL. Department of Fire and Emergency Services have changed the rules over time that they can now direct Local Government to change their applications to “do as they are told” without any right of appeal, effectively the Commissioner is the Judge Jury and Executioner!



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By contrast, spending by the BFB and SES is micromanaged by DFES. This has extended to the point that DFES have even told local governments to change their grant applications and “do as they are told”, without any right of appeal.

The ERA needs to recommend governance arrangements that will result in real transparency and accountability to give assurance to the community and to allow interested parties to monitor, and where necessary, challenge the decisions.

- To ensure such an outcome will require transferring ESL allocation function from DFES to a disinterested third party agency. The agency would take account of the views of an advisory body with representatives from the key emergency services funded by ESL. Such an advisory body would have access to the Minister if they strongly disagree with the agency’s proposed ESL allocation.
- There needs to be a mechanism in place that requires the Minister to take into consideration views of interested parties and wider community interest rather than relying only on DFES’ budgetary proposals.

- **Should revenue from the Emergency Services Levy be made available to fund the administrative and operational costs of a rural fire service?**

ESL must absolutely be used to fund the new Rural Fire Service. The ESL was established to fund emergency service activities covered by various legislation, including the Bush Fires Act.

The RFS we expect to see is a low cost model that will be largely funded by cuts to DFES as it relinquishes its current activities in the bush fire and Volunteer sector. This will be a similar exercise to the restructure of CALM that created DPaW without any significant additional demand on the government’s budget.

We are confident that greater scrutiny and accountability for ESL spending will identify capacity to fully fund the RFS and possibly also contribute funding for increased mitigation burning.

We do not expect the RFS to be used as a vehicle to push for an increase in ESL revenue through higher tax levels. We expect government to ensure the ESL and DFES expenditures are thoroughly and independently assessed to identify cost savings through the restructure as a result of the RFS, and general efficiencies through change in DFES operations.

- We request that the ERA consults with the AVBFB, and others with bush fire experience, on the model it develops to be used to estimate the cost of a RFS to ensure effort is not wasted on unnecessarily extravagant models and the likely cost of the RFS is not misrepresented to the ERA.



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## Questions for interested parties

1. How should funding be allocated across prevention, preparedness, response, and recovery activities?

The four aspects of emergency management are conducive to being identified as separate activities but difficult to distinguish in terms of funding allocations.

Prevention activities, such as mitigation burning, require fire fighting vehicles. These are identified in the issues paper as falling under “preparedness” but of course they would also be needed for the “response” activity. Hence the cost of a new vehicle for a brigade cannot be counted as expenditure under one heading alone.

The point is that expenditure on these activities is not readily divisible under those headings other than specific mitigation funding. Such funding could be allocated separately to the different services such as BFS and DPAW to undertake the tasks.

- It is generally accepted that there is a need for more funding across all four faces of the Prevention, Preparedness, Response and Recovery but the quantum requires more disclosure about current expenditure, if any, from ESL.

## Questions for interested parties

2. What should the ERA consider in assessing whether the current method for setting the ESL is appropriate for current and future needs?
3. What emergency service expenditures should be funded by the ESL?
4. How are expenditures on emergency services likely to change in the future?
5. How could the method for setting the ESL be improved?

There are several services that are under the emergency services umbrella but not funded by the ESL, those being Volunteer Marine Search and Rescue Services and the Surf Life Saving service.



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Funding for these services is provided through the budget though there has always been an obvious attraction for governments to include these in the ESL as a way of relieving the general budget demands.

It may be possible to include these services within the ESL steadily over a period of a few years by restraining DFES' spending on activities beyond the front line services. Our position at this point in time is that these should still be kept separate until the current issues are resolved.

- Further changes to activities covered by the ESL has to come secondary to getting the current ESL and activities properly aligned and reducing DFES spending beyond core activities.

## Questions for interested parties

6. What information should be made public about the administration and distribution of ESL funding?
7. What processes should be in place to ensure accountability in the expenditure of ESL funding?
8. Which agency should be tasked with distributing funding from the ESL?

In the absence of any national security concerns, the answer is that as much information should be released as is held by the Department. There is no reason for the community to be denied information that would hold government agencies and others in the ESL sphere truly accountable.

Government agencies hold very detailed information but are rarely pressed to release it.

Department of Fire and Emergency Services should have the information that ought to be released to show the community, at a detailed level, where the community's ESL goes.

This would extend to:

- information down to individual sections of the department,
- spending on specific projects,
- allocation to areas / services,



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- spending by functions at a detailed level such as mitigation spending by local government area.

To give the public greater confidence in how the ESL is applied, ESL needs to be overseen by an agency removed from emergency services. However, merely moving the process from one agency to another does not guarantee better results.

The current process must change as DFES cannot continue to be the sole source of recommendations to another agency. The process needs to be akin to a budget process whereby DFES is just one of several organisations putting forth the ESL requests to a third party.

The process further requires some form of non-government check such as a group from the various emergency services that would report to the government their views that the ESL is being distributed and spent well. This would ensure that the current problems are not replicated with a government agency either capitulating to pressure from DFES or, over time, becoming less interested in the views of non-government people.

## Questions for interested parties

9. If a rural fire service is established, should it be funded by the ESL?
10. How much would a rural fire service cost, and what effect would it have on ESL rates?

Until a clear structure is put on the table it is difficult for any person to be able to answer this question with certainty. Bush fires are the greatest real risk we face as they come about every year and they can number in the thousands a year.

ESL must absolutely be used to fund the new Rural Fire Service. The ESL was established to fund emergency service activities covered by various legislation, including the Bush Fires Act.

The RFS we expect to see is a low cost model that will be largely funded by cuts to DFES as it relinquishes its current activities in the bush fire sector.



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We are confident that greater scrutiny and accountability for ESL spending will identify capacity to fully fund the RFS and possibly also contribute funding for increased mitigation burning.

We do not expect the RFS to be used as a vehicle to push for an increase in ESL revenue through higher tax levels. We expect government to ensure the ESL and DFES expenditures are thoroughly and independently assessed to identify cost savings through the restructure as a result of the RFS, and general efficiencies through change in DFES operations.

We reaffirm our difficulty in being able to have full visibility on all the questions asked as the reports released by the department are not clear and lack detail.

Once the ERA have obtained clear records from the department we will be in the position to revisit the issue in more detail and provide a more detailed response into recommendations and solutions for the future.

We request an opportunity to revisit the ERA once the documentation disclosure is achieved.