
The Director
Economic Regulatory Authority
PO Box 8469, PERTH BC
WA 6849

For attention: Leonie Browner

Dear Madam,

Review of the Emergency Services Levy (ESL)

1. Introduction

The Bushfire Front would be grateful if you would consider the following submission to your review of the ESL. First, we commend the ERA for undertaking this inquiry. Second, we emphasise its importance; the ESL provides substantial funds that could, if properly invested, make a significant difference to bushfire management in WA.

The Bushfire Front is well-placed to comment on this issue. We are bushfire professionals who have devoted their careers over many decades to bushfire science, prevention, mitigation, operations and administration.

It is our long-held view that ESL funds are currently being mismanaged. In particular, we believe that these funds must be re-directed into bushfire mitigation, especially fuel reduction. This is the principal activity that will reduce the intensity of, and damage caused by, high intensity bushfires, saving multi-millions of dollars.

If ever there was a single indicator that ESL funds are not currently being well-managed, it is your statement that DFES is unable to provide a detailed account of ESL expenditure to assist this review. The lack of a financial management system that can keep track of the way ESL funds are spent highlights the need for deep administrative surgery.

2. The current situation

ESL fund allocation is administered by DFES, who are also the sole arbiter of how the funds are spent. Allocation is done in the absence of any published investment priorities, any requirement for anyone to account for ESL expenditures, or any independent monitoring of outcomes in relation to priorities. The only existing guidelines have been prepared by DFES itself, and these are 180 degrees off-target. DFES's core operational priority is responding to urban structural fires, rather than providing for bushfire mitigation and preparedness (including fuel reduction burning). In fact, the DFES guidelines for eligibility of ESL expenditure by LGA Authorities and their Bushfire Brigades prohibit the use of ESL funds for bushfire mitigation/fuel reduction burning ... the single most important activity that will minimise bushfire costs and damage.

To concerns about poor administration and wrong priorities must be added that of conflict of interest: DFES is the main beneficiary of ESL funds and is also the body who decides how they are allocated.

3. Independent Reviews

The independent 2011 Keelty Review highlighted the obvious conflict of interest arising from the fact that DFES holds and allocates ESL funds. Keelty recommended that ESL should be administered by the Department of Finance. Not surprisingly, this recommendation was not implemented following input by DFES.

The independent Ferguson Special Inquiry recommended that a review of the current arrangement for the management and distribution of the ESL was required. Ferguson recommended that the review encompass a broad range of stakeholders, in the context of the establishment of a Rural Fire Service, and that the deployment of ESL funds give greater emphasis to bushfire prevention and mitigation. Ferguson nailed it.

The 'Green Paper', or 'Bushfire Stocktake' (2016) prepared by the State Emergency Management Committee revealed that since the introduction of the ESL in 2003/04 and up to 2015/16:

- the annual funds collected has grown by a massive 425%, which is significantly higher than the growth in the gross rental value (GRV) and the number of properties to which the ESL applies.
- On a per capita basis, the ESL has increased from \$38.14 in 2003/04 to approximately \$123.90 in 2015/16.
- In 2015/16, the ESL covers 89% of DFES total cost of services, up from 76% in 2013/14.
- It is forecast to grow to 91.2% of DFES total cost in 2018/19.

The Bushfire Stocktake also identified "excessive salary levels and chronic inefficiencies" in the allocation of funds within DFES. DFES do not appear to be subject to the sort of stringent financial controls experienced by other government agencies, nor have they recently been subjected to a serious functional review.

4. Conclusion

Independent reviews call for an inquiry into the allocation of ESL funds. Our view is that the inquiry should also look into the administration of these funds. The data collected by SEMC indicate that DFES uses ESL funds to cover all its activities. This is contrary to the original objectives of the ESL when introduced in 2003/04.

It is clear that DFES is failing to administer the ESL either efficiently or in accord with the original purpose of the funds, and that there is a grave conflict of interest in allowing DFES to allocate ESL funds to itself.

Finally, the DFES direction prohibiting the use of ESL funds for bushfire mitigation, flies in the face of good bushfire management, and is not in the State's best interests, nor that of the community or the environment. We urge the Government to take urgent steps to remedy these shortcomings and inefficiencies.

5. Comment on Questions posed by the ERA.

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

The balance between these different aspects will vary over time, according to priorities based on a State-wide risk assessment. However, in the short term, with high fuel loads on nearly all tenures in the south west region, a major proportion of ESL funds must be directed to prevention and preparedness/damage mitigation. An immediate crisis must be averted.

Unless there are new funds injected into the system, this approach will require a reduction in the budget for structural and bushfire response and post-disaster recovery, at least until the risk in the southwest has been reduced. However, there are opportunities for significant savings and improved efficiency in the use of fire

response funds, especially in the exorbitant (and often ineffective) use of water bombers.

Question 2. What should the ERA consider in assessing whether the current method for setting the ESL is appropriate for current and future needs?

Currently no risk-based system for deciding on priorities for ESL expenditure exists. Therefore there is no way of knowing whether expenditure provides value for money for the community. Nor is there currently any way of determining the level of current or likely future expenditures. As far as we can see, DFES does not allocate ESL funds to the delivery of specific bushfire risk-minimisation programs.

What is needed is a clear investment strategy or investment framework that sets out goals and priorities. Against this framework, funds can be allocated to the most important areas; later, the effectiveness of expenditure can then be assessed against objectives and priorities. To assist in development of an investment strategy, the following are needed:

- (i) Costed work programs that have clear and achievable objectives based on risk assessment;
- (ii) Transparent guidelines as to how ESL funds will be directed to the highest risk areas; and
- (iii) A requirement that recipients of ESL funds, particularly DFES and LGAs, account for funds received and how they are spent, with public reporting.

The current situation, in which the DFES accounting system is so woeful that expenditure of ESL funds on bushfire related activity cannot be identified, is the first thing that needs to be fixed. Until there is a way of monitoring expenditure, no system of allocation of funds will be worth putting in place.

Question 3. What emergency service expenditures should be funded by the ESL?

In our view, the first priority for WA is to deal with the extreme bushfire risk across all tenures in south-western WA. Unless this threat is attacked at its source (basically high fuel levels, associated with poorly prepared communities), money allocated to fire suppression is money that can be saved.

The biggest hurdle confronting effective bushfire management in WA is the DFES obsession with suppression at the expense of prevention/mitigation. This is exemplified by the fact that they prohibit LGA from using ESL funds for fuel reduction burning.

Every independent review of bushfire management in WA from the 1961 Royal Commission through Keelty and Ferguson to the SEMC Green Paper identifies the primary importance of investing in prevention/mitigation. The DFES position is not even supported by the Fire and Emergency Services Act (FES Act) which defines 'FES activities' to include "the prevention ... of fires".

This emphasises that that ESL should be applied to bushfire mitigation activities including fuel reduction burning.

The Bushfire Front does not advocate any change in the *scope* of activities funded by the ESL, but rather to the *priorities* for expenditure. What is needed is an increase in the application of ESL funds to the Number One bushfire problem in WA, i.e., minimising fuel loads so as to minimise the occurrence of the fires that do most damage.

There is also the question of funding the proposed Rural Fire Service. Provided that the RFS adopts an acceptable mission and priorities, it can become the avenue for distribution of ESL funds.

In our view the level of capability for urban fire fighting and maritime rescue should not be diminished. However, a review of the administration, efficiency and cost/effectiveness of delivery of those services is badly needed.

Question 4. How are expenditures on emergency services likely to change in the future?

If a well-led and independent Rural Fire Service is created and adopts appropriate objectives, and is effective in promoting fuel reduction across all tenures, future expenditures for bushfire suppression and post-fire recovery will decline massively. At the same time, there must be a critical review of the cost/effectiveness of current firefighting methods. The multi-millions spent on water bombing every summer is mostly money wasted, because water bombers are ineffective against high intensity fires burning in heavy fuels.

The consequence of an increase in the proportion of funds spent on prevention/mitigation, together with less costly fire suppression once fuel levels have been reduced, and are kept low, will mean an overall saving in bushfire-related expenditure. This will act as a brake on future increases in the level of the ESL.

Question 5. How could the method for setting the ESL be improved?

There is obviously a conflict of interest if the level is set by DFES while DFES is the main beneficiary of funds collected. Nobody outside DFES thinks this situation is fair or represents good government.

The ESL needs to be managed by a independent third-party with input from DFES, DPaW, LGAs and the Economic Regulatory Authority and Department of Finance. An appropriate independent body to coordinate input would be the SEMC or its successor following bureaucratic changes in the wake of Ferguson. Although DFES will continue to have a loud voice in the SEMC, the critical thing is to remove DFES from a position of sole and final decision-making.

Question 6. What information should be made public about the administration and distribution of the ESL funding?

The body who decides on the level, collects the funds and then allocates them should provide a public annual statement on (i) the framework used to determine the level and the allocation; (ii) the total funds collected; (iii) the bodies to whom the funds were allocated; and (iv) the programs on which the allocated funds were spent. In addition, the public should be advised the degree to which funding allocation supports government objectives and priorities in relation to bushfire management.

The public also needs to know that there has been an independent audit of how much of ESL funds was spent where and on what and by whom.

Question 7. What processes should be put in place to ensure accountability in the expenditure of ESL funding?

As outlined above, every recipient of ESL funding must set and publish clear objectives and defined service priorities, work programs, and key performance indicators in relation to bushfire management. They must then report on how ESL funds were spent against these criteria, and the degree to which program objectives were achieved.

This will provide a quality control check on ESL expenditure, and will provide data against which future allocation of ESL funds can be made. For example, a LGA who has failed to use their allocated ESL funds to work on identified bushfire management programs/priorities, could be penalised in the next round of allocations.

Question 8. Which agency should be tasked with distributing funding from the ESL?

BFF suggests that the **collection** of the ESL should continue to be handled by LGAs. The collected funds should then be remitted to the Dept of Finance, from where it will be in turn remitted to SEMC or its successor organisation. This agency will then **allocate** the funds to the RFS, LGAs, DPaW and DFES according to a published

investment strategy that lays down the priorities for expenditure.

In fact, the critical issue is not who is responsible for allocation. What is critical is how the funds are spent and accounted for. This is why we recommend that the first job is to decide on an investment framework and to put in place an independent audit. The weakness in having SEMC as the deciding body is that DFES has such an influential voice on this committee. However, the weakness in having another body, for example Treasury or Dept of Finance doing the job is that they have no bushfire expertise or experience.

Question 9. If a rural fire service is established, should it be funded from the ESL?

A RFS must be in part funded from the ESL. The role of the RFS is yet to be clarified, although we have a clear picture of our own. However, one of its first priorities must be to encourage and support fire prevention/mitigation by LGA, fuel reduction burning by brigades or contractors, and provision of training in prescribed burning - none of these things being provided in a professional way by DFES. Other important roles will be supply of specialist equipment, provision of effective rural communication facilities and liaison with DPAW.

In time, if the RFS does its job effectively, and there are fewer large, intense wildfires, money will increasingly become available from consolidated revenue that previously was "wasted" on fire suppression costs that could have been avoided. These "earned" funds should also go back to the RFS.

Question 10. How much would a rural fire service cost, and what effect would it have on ESL rates?

We will be able to give you a better idea of this when we know more about the role and structure of the RFS. The two critical elements that must be put in place from the outset are:

- (i) a thorough and independent functional review of DFES, widely recognised as the most bloated organisation in the public service. The aim must be to streamline its overheads, eliminate waste associated with the DFES approach to bushfire management and money spent on a totally ineffective community communications strategy;
- ii) a clear statement of the mission, priority objectives and role of the RFS.

The organisational structure cannot be determined until its mission and priorities are known. When these are clear, it will be relatively easy to develop a budget for the RFS, while at the same time the budget of DFES is tightened up, freeing a lot of money.

Finally ...

Thank you for the opportunity to contribute to this review. If you wish to discuss any of the points we have made in person, or if you think we can help in any way, please contact me.

Yours sincerely

Roger Underwood
CHAIRMAN
25 February, 2017