



WAFARMERS

Economic Regulation Authority (WA) Review of Emergency Services Levy

10 March 2017

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Background

The Western Australian Farmers Federation Inc. (WAFarmers) is the State's largest and most influential rural advocacy and service organisation. Founded in 1912, WAFarmers boasts a membership of over 3,200 primary production businesses including grain growers, meat and wool producers, horticulturalists, dairy farmers, commercial egg producers and beekeepers. Collectively our members are major contributors to the \$5.5 billion gross value of production that agriculture in its various forms contributes annually to Western Australia's economy. Additionally, through differing forms of land tenure, our members own, control and capably manage many millions of hectares of the State's land mass and as such are responsible for maintaining the productive capacity and environmental wellbeing of that land and the animals that graze it.

Introduction

WAFarmers welcomes the ERA's decision to act on recommendation 17 of the Euan Ferguson review of the Waroona fires. Recommendation 17 requested the Department of Premier and Cabinet undertake a review of the Emergency Services Levy (ESL) to ensure the system is fit for purpose, while accommodating the needs and requirements of the community moving into the future.

Members of the regional and rural community live in areas that have a much higher risk of interacting with floods, fires and cyclones. It is essential that the collection and distribution of ESL caters for the emergency services requirements of the bush, just as it does for those in metropolitan centres.

WAFarmers identifies the current reporting requirements on how ESL is allocated and distributed as ambiguous. The organisation is of the opinion that the reporting process of how tax payer funded levies are spent should be transparent, clear and concise. This not only acts as a check and balance, but ensures the community and government are receiving best return on investment while protecting the safety and wellbeing of our communities.

WAFarmers supports the implementation of an independent Rural Fire Service. This service will be essential in mitigating the risk of severe bushfires in the regional areas of Western Australia, but also assuming the incident control in the event of an emergency situation. WAFarmers sees ESL playing a critical role in the establishment and ongoing funding of the Rural Fire Service.

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

The current system of ESL is distributing funds on a response based mechanism, opposed to a risk based system. This has been identified in the Department of Emergency Services Annual Report where figures shown in regards to call-outs weigh heavily on where ESL funding is allocated. This neglects the requirements of mitigation, of which WAFarmers identifies as a highly important aspect of emergency management.

A recent Productivity Commission review illustrated the overwhelming cost effectiveness of mitigation as compared to emergency management, highlighting a saving of \$11 in emergency management for every \$1 spent on mitigation. By investing ESL in the most effective manner, the State Government and the tax payer will receive the best return on investment. This has been identified in the ERA Discussion Paper with \$48.8 million (12.9%) spent on prevention while \$316.4 million (87.1%) spent on emergency services.

The Department of Fire and Emergency Services need to separate the gazetted fire districts and the ESL boundaries. This will allow for greater flexibility in the funding distribution model. By moving away from the rigid system we currently experience, funding will be able to be allotted to high risk areas as well as meet the future needs of emergency management.

The current ESL does not see a great return into rural and regional areas, this is of particular concern as the peri-urban and remote areas carry some of the highest risk of emergency events occurring, particularly with bushfire and cyclones. Despite individual local government authorities collecting the ESL on the department's behalf, they must apply for funding via a grant process. This does not ensure that funding is allocated where it is needed due to competitive grant processes, or simply a local government not applying. This piece meal approach has potential to leave particular communities under-resourced and vulnerable should an emergency event occur.

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

ESL has been used as a substitute for government funding through consolidated revenue. The ESL should be used for on-ground services mitigation, fit-for-purpose equipment and training. The Department of Emergency Services should still be receiving remuneration via the State Budgetary process to pay for administration costs, rather than relying on ESL to prop up the department.

EMERGENCY SERVICES LEVY						
Actual & Estimated						
	2013 – 2014	2014 – 2015	2015 – 2016	2016 – 2017	2017 – 2018	2018 – 2019
	\$m	\$m	\$m	\$m	\$m	\$m
Emergency Services Levy (ESL) Revenue	273.1	289.2	320.5	339.0	354.4	353.8
DFES Total Costs of Services (TCOS)	347.4	335.1	360.3	379.7	389.4	387.9
ESL Revenue Percentage of TCOS	78.6%	86.3%	89.0%	89.3	91.0%	91.2%

The table in the Pacer Legal Report in Esperance fires demonstrates the Department's reliance on ESL funding.

It is difficult to determine whether the funding is fit for current and future needs as the department's reporting of how ESL is allocated is vague. There is a requirement for more information to become available in order to best comment on how ESL should be managed currently and into the future.

It is suggested that the ERA or Auditor General assess exactly where and how ESL is distributed. This increased transparency will assist organisations, such as WAFarmers, to comment on how funding should be administered currently and in any future scenario. The current reporting mechanisms that DFES employs makes it difficult for the general public to ascertain how public funds are allocated. One can assume the lack of transparency is a veil to cover inefficient use of funds.

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

WAFarmers believes that ESL funding should be distributed back to the community through services, equipment and training that will assist in protecting communities and assisting during times of need.

The ESL should continue to support the array of services that it currently does, both professional and volunteer associations. This support can be identified through infrastructure, fire fighting assets, training. Wages and salaries may be included in ESL if necessary, but currently 51% of ESL is used for employment expenses, this cannot continue. The State Government should be absorbing a greater proportion of administrative costs.

WAFarmers believes the State Government is relinquishing its obligation to adequately fund the Department of Fire and Emergency Services. The ESL should not be used to pay departmental office staff and/or executive members. This is out of line with what the ESL was designed to fund, and is not in line with community expectations.

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

As mentioned in question 2, there is ambiguity surrounding how the levy may change and adapt in the future.

However, the ESL will need to need to accommodate the establishment, support and running of a Rural Fire Service.

WAFarmers identifies efficiencies can be made within the current ESL expenditure, particularly surrounding machinery and equipment. An improvement can be made with procurement of firefighting machinery, with many new fleet landcruisers having very minimal firefighting capacity; this is an example of an expensive asset not being fit for purpose.

There needs to be recognition that volunteers and farmers have a raft of firefighting equipment that they bring during an emergency, ie landcruisers with water pumps. DFES or the Rural Fire Service does not need to purchase new equipment on every occasion; asset management and asset preservation can see equipment rotated from the metro into rural brigades for example. There is no requirement for each piece of equipment to be straight off the production line as this leads to fiscal wastage.

This is an appropriate time for ERA or Auditor General to undertake a stocktake into the function of fire and rescue throughout Western Australia. WAFarmers calls for this as a reaction to anecdotal evidence that a metropolitan fire station with full-time staff supplying a 24 hour service is only attending to approximately 50 call-outs per year. If correct, it does make it difficult to justify this service into the future.

5 How could the method for setting ESL be improved?

WAFarmers is of the opinion that the current process of how ESL is set and collected through a rate payer's local government authority is sound. The issue with ESL is on the back-end of the process, this is a result of the lack of information included over reporting periods. Any report that is tabled in the parliament should be clear and concise and contain exactly where and how public funds have been dispersed.

There should be efficiency benchmarks set by the Office of Emergency Management; this will keep DFES and Rural Fire Service accountable for their expenditure, whilst ensuring that the State and community are receiving best return on investment.

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

As the levy is a collection of taxpayer funds, there should be full disclosure of how ESL has been allocated. The annual report for ESL should clearly outline a breakdown of how funds have been spent within each individual emergency service.

Each emergency service should be reporting how much they spending on mitigation, response, training. Additionally, each service should clearly show a breakdown of funding spent on equipment, uniforms, wages and salaries.

By having greater transparency across the ESL process, it will further assist policy makers in getting the correct policy setting. By having all the facts and figures available, each individual emergency service will be able to plan ahead and aim to improve mitigation and response measures in years to come.

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

As there is currently a lack of transparency surrounding ESL, the Auditor General should conduct a full audit and review of how ESL is collected, distributed and accountability measures.

The OEM should be setting benchmarks by way of KPI's so that each individual emergency service is spending ESL as effectively and transparently as possible

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

The newly established Office of Emergency Management (OEM) should be responsible for holding and distributing the levy. The guidelines should be set by OEM and dictate how expenditure should be dispersed according to KPI's. The OEM also is independent of all emergency services, so is impartial when allocating funds.

The funding should be allocated on a risk-based or needs system, rather than the current response mechanism being employed.

Additionally, the OEM can facilitate the role of an audit function on the levy. It is hoped that having a proper audit function there will be increased transparency in regards to the reporting of how ESL has been distributed. With OEM being overseen by the Department of Premier and Cabinet, WAFarmers feels there will be more accountability throughout the process of collection and distribution of the available funds.

9 If a rural fire service is established, should it be funded by ESL?

The establishment of the Rural Fire Service may require a one-off payment from consolidated revenue. This sum will be seen as seed funding with the formation of the Rural Fire Service.

Once established, the running, support, training and maintenance of the Rural Fire Service will be administered through ESL.

Category 3, 4 and 5 levy payers will receive the greatest benefit of the newly formed Rural Fire Service. A review should be undertaken of these categories to ascertain how much funding they raise through ESL. A portion of this funding is to be quarantined, and solely allocated to the Rural Fire Service.

As the Rural Fire Service will have shared services with SES and Emergency Services, it is acceptable that the rest of the ESL raised in these categories be used to assist with the running and maintenance of the communications centre, communal training facilities and the like.

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

Without having all data available, it is difficult to provide an accurate snapshot of what a Rural Fire Service may cost the ESL budget.

WAFarmers is of the view that the amount of revenue that the levy raises is suffice to cover the running of a Rural Fire Service. The fund does not need to grow, it just needs to be divided and distributed more effectively as there appears to be significant wastage within the current framework.