



***Emergency Service Management and Support ...
... A Decade of Change in the West***

Reforms in emergency service management ...

- ***Structural***
- ***Funding base***



Today's Aims

- **Brief overview of structural changes**
- **Detailed look at funding changes**
 - **New funding system**
 - **Insurance industry involvement**
 - **Community acceptance**
- **Each State/Territory is unique**
- **Questions**



The lead up to change

- **Pre 1999 - Many responsible entities**
 - Career & Vol Fire & Rescue – WAFBB
 - Bush Fire Brigades – LGs (Advice BFB)
 - State Emergency Service – Police
 - Vol Marine Rescue – Incorporated Groups
 - Unexploded Ordnance – Mines Dept
- **Each service with own funding system**

The catalyst for change

- **Emergency Services Task Force**
- **Established by State (Liberal) Govt 1996**
- **Task Force reported early 1997**
- **Range of opportunities for improvement**
 - Service management
 - Operational control/coordination
 - CFRS funding system (fairer/more equitable)

CFRS funding review (1997-98)

FESA

- **CFRS funding review (Metro & 5 Country Cities)**
- **Aim**
 - Contribution inequity - insurance system
75% (Ins) + 12.5% (LG) + 12.5% (CF)
- **Representative Steering Committee**
[FESA, ICA, WALGA & LG, DTF, VGO]
- **Insurance company assistance (data)**
- **Stakeholder impact modelling**
- **Considerable stakeholder consultation**

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CFRS funding review (1997-98)

- **CFRS funding review recommended**
 - Property based Fire Service Levy (CFRS)
 - Local Government Collection (via Rates)
- **Stakeholders**
 - Reasonable acceptance & support
 - Detailed operating arrangements agreed
- **Government**
 - Enactment Bill drafted - but withheld

Key organisational changes

- **FESA creation 1 Jan 1999**
 - WAFBB & BFB abolished
 - FESA responsible for (CFRS, VFRS, FESA Units, SES, VMRS, UXO)
 - LGs retained responsibility for BFBs
 - FESA - Bush fire advisory/coordination/control
 - Emphasis on local control & ownership
 - Regionalisation of FESA Management
 - Retention of identity of various service arms

FESA



The catalyst for funding change

- **Plans in place for FESA's creation Jan 1999**
- **Funding review expanded Nov 1998**
- **'All FESA services' funding review**
- **Rep Steering Committee Continued**
- **Aims**
 - Service improvement (rural/remote areas)
 - Eliminate contribution inequity
 - Eliminate funding complexity (Diagram)

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The catalyst for funding change

PRIOR TO 2003/04

Service Arm		Ins	LG	Donations	Other	State Govt
CFRS	25 Brigades	X	X	X	X	X
VFRS	100 Brigades				X	X
BFB	700 Brigades		X	X		X
SES	80 Units		X	X		X
ES Units	10 Units				X	X
VMRS	70 Services					X
UXO	1 Unit					X

ESL based funding system

- **Endorsed Review recommendations (Labour Govt)**
 - Abolition of all existing funding systems
 - Introduction of transparent, property based, ESL
 - ESL collection by LGs (reasonable fee)
 - No supplementary 'vehicle levy'
- **ESL principles**
 - Simple in design & low cost admin
 - ESL rates to be 'budget' driven
 - Retention of Govt (CF) funding (budget neutral)
 - ESL based on 'service availability' (not 'risk')
 - No nexus between 'collections' and 'expenditure'
 - Op & Capital Grants for LGs (BFB and SES)

ESL based funding system

- **ESL commenced 1 July 2003 (all properties)**
- **State divided into 5 ESL Categories according to emergency services available.**
 - Cat 1 - Perth metro area (Network of CFRS *)
 - Cat 2 - 5 regional centres (CFRS/VFRS *)
 - Cat 3 - Metro periphery (BFB/VFRS * & Metro CFRS)
 - Cat 4 - Regional towns (VFRS *)
 - Cat 5 - Rest of State (BFB *)
- * All areas have access to SES
- **Annual ESL charge dependant on**
 - services available to a property (ESL Cat)
 - property value (GRV) and
 - property usage (V, R, F, C, I & M)

ESL based funding system

- **ESL Cats 1 to 4**
 - $ESL = ESL \text{ Cat Rate} \times GRV$
- **ESL Cat 5**
 - ESL = Fixed (min) charge
- **2006/07 ESL operating parameters**
 - Minimum ESL (\$35 – All property usage)
 - ESL Cat 5 = \$35 (min)
 - Maximum Vacant & Residential ESL (\$195)
 - Maximum Commercial & Ind ESL (\$110K)

ESL system – key principles

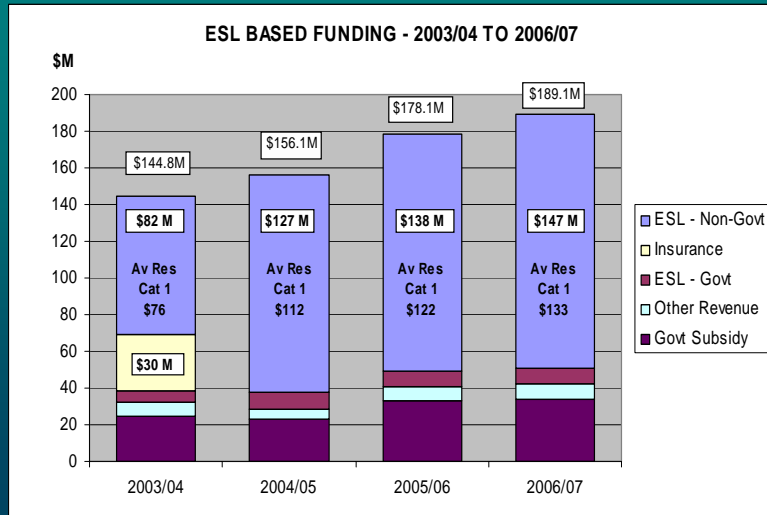
FROM 2004/05

Service Arm		Ins	LG	Donations	Other	Govt (CF)	ESL
CFRS	25 Brigades				X	X	X
VFRS	100 Brigades				X	X	X
BFB	700 Brigades				X	X	X
SES	80 Units				X	X	X
ES Units	10 Units				X	X	X
VMRS	70 Services					X	
UXO	1 Unit					X	X
AIR OPS					X	X	X

Insurance industry involvement

- **Support - ICA representation, insurance data for 'impact' modelling, financial assistance & PR**
- **Complication – Late reversal of undertaking to have clean transition on 30 June 2003 (no refunds)**
 - **Special transitional arrangements to phase out insurance fire levies from 1 Jan to 31 Dec 2003.**
 - **Result - 6 month period from 1 July to 31 Dec 2003 where funds collected from insurance/ESL.**
 - **Reduced amount raised by the levy in 2003/04**
 - **Discounted ESL rates in 2003/04 in ESL Cat 1 & 2 areas where insurance system operated**

Insurance industry involvement



Insurance industry - LOU

- Letter of Understanding
 - LOU signed (34 = 90% market share) by insurers
 - LOU principles adopted (29 = 6%) by insurers
 - \$1.25M funding for transitional costs
 - Commitment to eliminate fire loadings (pro-rata)
 - Refund loadings collected beyond 31 Dec 2003
 - Participation in processes to manage refunds and unclaimed monies
 - Quarterly audit reports - 'reduction' compliance
 - Participation with Minister's compliance review

Insurance compliance review

- **FESA Act Transitional provisions [S.14 & 15]**
 - Minister to be satisfied 'no profiteering'
 - Minister to report to both Houses of State Parliament (by June 2004)
 - Minister able to omit commercially sensitive information/data
- **Sigma Plus Consulting [NSW] (tender)**
- **Compliance review examined**
 - FSL phase-out (1 Jan to 31 Jan 2003)
 - Passing on savings from FSL elimination

Insurance compliance review

- **Full report on FESA's main website**
[www.fesa.wa.gov.au - Funding levy (ESL) – Publications]
- **Executive Summary**

" The evidence shows that the insurance industry has passed on the FSL savings to consumers. Gross premiums have dropped over the year - consumers are paying less for insurance. Net premiums (after removing government charges) have increased by amounts similar to other states. This is despite extra costs to insurers that are specific to WA, such as higher claim costs and the extra cost to insurers of complying with the new FSL regime. "
- **Report Findings**

" Insurers passed on FSL savings of 10% for home insurance and 16.7% for commercial property insurance. In addition the premium rate changes in WA were noticeably less than the Australian averages. We can therefore conclude that the industry passed on the FSL savings to consumers."

Colin Priest – Director – Sigma Plus Consulting – 29 April 2004

Community acceptance

- **Funding reform acceptance aided by**
 - Change fair, sensible & beneficial to ES delivery
 - Effective (long term) consultation & marketing
 - Good understanding at LG level (inc Rates Officers)
 - FESA (insurance industry) funded transition costs
 - ESL collections go to FESA & not Govt (CF)
- **Community reaction**
 - Impacted 900,000+ WA property owners
 - Limited negative feedback ('spot fires' only)
 - Minimal negative media/press coverage
 - ESL Call Centre – 2,200 calls in 2003/04
 - Low number of letters/calls to Govt/Minister/FESA

Conclusion

- “Horses for courses” in each State/Territory
- Determination/commitment by Minister/CEO
- ‘Internally’ driven funding review worked in WA
- Key stakeholder representation essential
- Cost effective transition with CF retention essential
- Acceptance reflective of community support for ES
- ESL transparency creates its own challenges
- Change effectively underpins FESA & supports the direction that ES management is heading in WA

Questions

FESA

Thank you

Questions ?

