Options paper - funding model for the Tasmania Fire and Emergency Service

This option paper accompanies the draft Tasmania Fire and Emergency Services Bill 2023 to consult on two proposed funding models for the TFES.

The implementation of a new funding model will also accompany a Government commitment to:

- Double fuel reduction funding from $9 million to $18 million per year, and
- Implementation of minimum standards for volunteer fire brigades.

Current situation

The *Fire Service Act 1979* prescribes the current funding arrangements for the State Fire Commission (SFC), which is the governing body for the TFS.

As noted in the Blake Review, these arrangements are extremely complex and highly prescriptive, with funding being provided from a range of sources.

This includes a property-based levy. Under this levy, where you live determines what you pay for the fire service. As a result, some households pay $44 per annum, and some paying over $400 per annum. This is because the rates are currently set according to the local government area where a property is, and whether it is supported by a career, volunteer or retained brigade.

However, our fire and emergency services do not operate this way and will regularly move in and out of local government boundaries to provide emergency response. For example, large regional fires often receive career brigades and aircraft response, or a motor vehicle accident will have the first crew available attend.

The following table demonstrates the inequities – this includes that there are inequities across local government areas, as well as inequities across urban and regional areas.

Table 1 - Examples – Current Funding Model Inequities

Location	Classification Rate	Cost for an average AAV
Burnie	1.4%	$268
Devonport	1.2%	$219
Hobart	0.89%	$160
West Launceston	1.1%	$208
Glenorchy	1.1%	$206
Ulverstone	0.35%	$64
New Norfolk	0.31%	$44
St Helens	0.37%	$52

In addition to the contributions made by households, the TFS is supported by an Insurance Levy and a Motor vehicle levy. Under the Insurance Levy some businesses pay a fire levy through their insurance, and this can be as high as 28% of their insurance. Some businesses are not paying any fire levy due to who they insure with or if they choose not to take out insurance. This is a highly changeable model for our emergency services to plan to.

To resolve these inequities, the Blake Review (2020) provided 16 recommendations for funding reform, and consultation on models was undertaken in 2022. As a result of the feedback from the consultation, the Government is proposing two models that are possible for implementation under the current draft Bill, which is also available for consultation.

The current model results in high levels of funding uncertainty and variability for the TFS and SES on a yearly basis. This means funding projections can vary significantly from future deficit (as per the 2021-22 Corporate Plan), to projected surplus (as per the 2022-23 Corporate Plan), which stifles service planning, restricts investment in facilities and equipment, reduces the support available for volunteers, and impacts on important work like fuel reduction activity.

Current arrangements are not sustainable or effective to support an emergency service that needs to grow and invest regularly in new equipment to provide lifesaving services and meet the needs of the future.

This is why Tasmania needs a fairer approach to funding its fire and emergency services to allow the TFES to effectively plan and deliver services for all Tasmanians.

We are proposing to:

- Remove the insurance-based levy
- Reform the property-based levy
- Keep the motor vehicle levy and include motorcycles in this levy

Property based levies are used extensively in most other jurisdictions. Tasmania's emergency response resourcing is therefore at significant risk in the future if action is not taken.

To achieve this, we are proposing two options:

- Option 1 – set a single rate across Tasmania, or
- Option 2 – set a two-tiered rate across Tasmania depending on whether you live in a rural or urban area.

These options are described in further detail below.

Option 1 – Set a single rate across Tasmania.

To resolve the current situation where Tasmanians pay more than 29 different property rates (see table 1), the Government proposes that all residential properties pay a fixed amount – 1%.

This means no matter where you live in Tasmania, everyone is paying the same rate.

For a property with an average AAV, this would therefore be $180. If you have a higher value AAV, you will pay more. If you have a lower value AAV, you will pay less.

In doing this we can be confident that Tasmania has a fair and sustainable funding model that is applied equitably across Tasmania.

Further, we are proposing there would be different rates for other land classifications. This is to recognise that the fire and emergency response at commercial or industrial premises are often of greater risk or complexity to respond to than residential property.

Table 2 - Proposed Land Classifications – Option 1

Land Classification	Rate
Commercial	2.4 %
Community Services	0.5 %

Industrial	3.2 %
Other	0.5 %
Primary Production	2.4 %
Residential	1.0 %

Option 2 – Set a two-tiered rate across Tasmania

Option 2 proposes a two-tiered rate to be introduced across Tasmania with one rate for urban areas, and another for regional areas.

The outcome of Option 2 would be that urban areas continue to pay similar rates as they do now – but, the rate would be standardised removing inequities between cities.

For regional areas there will be a smaller increase than under Option 1, but the goal of equalisation for these areas would still be achieved meaning there is greater equity between rural areas.

In practice, this will result in regions paying less than a pensioner in an urban area.

The proposed two-tier system is in Table 3.

Table 3 - Proposed Land Classifications – Option 2

Land Classification	Rate
Commercial	2.6 %
Community Services	0.6 %
Industrial	3.4 %
Other	0.6 %
Primary Production	1.2 %
Residential (Urban)	1.2 %
Residential (Rural)	0.6%