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ACTION BY <del>DIAMANT</del>	FILE LOCATION 001

FILE

Our reference: T0003202

- 4 SEP 2000

The Honourable S Robertson MLA  
Minister for Emergency Services  
Kedron Park Facility Complex  
Cnr Kedron Park Road and Park Road  
KEDRON QLD 4031

Dear Mr Robertson

Thank you for the letter dated 7 July 2000 from the Acting Director-General of your Department attaching a Public Benefit Test Report for the National Competition Policy (NCP) legislation review of the *Fire and Rescue Authority Act 1990*.

I have considered the review and support its outcomes, the main conclusion being that the existing regulatory regime should be retained in the public interest.

I note that the review determined that maintaining the restrictions in relation to the special powers of officers and the fire levy is the only way to ensure that the objectives of the legislation can be achieved.

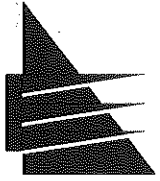
I thank you and your officers for your efforts in undertaking this review.

Yours sincerely

Signed David Hamill

Hon David Hamill MLA  
Treasurer and Member for Ipswich

MIN: ...T.0003202...



DEPARTMENT OF **Emergency** SERVICES



**RECEIVED**

18 JUL 2000

TREASURER'S OFFICE

07 JUL 2000

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TREASURY 376205	FILE No 044487
RECD	25 JUL 2000
ACTION BY	FILE LOCATION 0001

Dear Mr Hamill

**National Competition Policy – Review of Fire and Rescue Legislation**

The Queensland Legislation Review Timetable 1996 for the implementation of the National Competition Policy includes the review of the *Fire and Rescue Authority Act 1990* (the Act).


Enclosed is the Public Benefit Test Report for the Act. The Report has been prepared in accordance with Treasury's Public Benefit Test Guidelines and it is considered that it satisfies the requirements set out under the Competition Principles Agreement.

Your endorsement of the Report is now sought so that it may be released for public information. I will inform you of any comments received on the Report to ensure that no further review of the legislation is required.

Yours sincerely

**MARGARET SMITH**  
Acting Director-General

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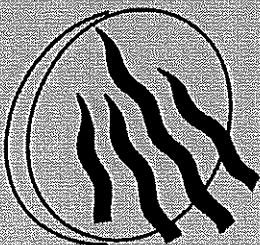


# report

APRIL 2000

## **National Competition Policy Review**

***Fire and Rescue Authority  
Act 1990***



**Queensland Government**  
Department of **Emergency Services**

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# Executive Summary

## EXECUTIVE SUMMARY

The Competition Principles Agreement (CPA) was made between States and Territories and the Commonwealth to establish a consistent national approach to achieving greater economic efficiency and enhanced competitiveness of the Australian economy as proposed in the National Competition Policy (NCP). As part of the CPA to review all existing State legislation to identify and justify or reform anti-competitive provisions, the Department of Emergency Services has undertaken a reduced NCP review of the *Fire and Rescue Authority Act 1990* (the Act).

The Queensland Fire and Rescue Authority (QFRA) is a statutory authority established under the Act to provide fire and rescue services. It is the single provider of emergency fire and rescue services in the State and although there are no precise anti-competitive provisions contained in the Act, it is considered that the following provisions serve as implicit barriers to entry to the fire and rescue market:

- special powers given to officers of the QFRA to allow them to undertake their duties more effectively; and
- application of a levy on property owners to support the operation of the QFRA.

The review analysed these implicit barriers to determine whether there might be a more effective service provided through some competitive means. This required the identification of alternative models of fire and rescue service provision against which the costs and benefits of the current model may be evaluated.

The current model of fire service provision and a number of features were examined:

- legislative underpinning;
- funding mechanisms in both urban and rural areas;
- characteristics of urban and rural fire services;
- some niche markets;
- public safety provisions; and
- the high cost of preparedness.

The following three alternative models were analysed and rejected for the reasons shown:

Model	Reason for rejection
Total deregulation	Ineffective in meeting the objectives of the legislation
Purchaser/provider	The objectives of the legislation can only be achieved by restricting competition and the benefits of that restriction to the community as a whole outweigh the costs.
User pays	Inequitable because of the charges that would be incurred by those requiring to use the service.

No other viable alternative model was identified.

Other benefits identified from the current model include support for the extensive volunteer network in sparsely populated areas of the state and free public education about fire safety issues. There is evidence to suggest that the fire education activities are contributing to improved fire safety as illustrated by a rise in the number of homes with smoke alarms to 70%.

In contrast to deregulated or purchaser/provider models, the current state-wide model provides a better career structure for firefighters, more effective training and administrative support efficiencies. Plant and equipment are more uniform, allowing efficiencies of scale in purchasing and training and the community can expect a relatively equitable provision of services.

Data from a consumer survey of 4000 respondents indicated that 93% of people are either satisfied with the current service or received a service above their expectations. This would indicate that the public is reasonably comfortable with the current model for provision of fire and rescue services, implicitly supporting the levy system and the level of powers provided to officers.

The review established that the 1998/99 cost of the current model of fire and rescue services delivery was \$192.9 million (Annual Report p82).

The objectives of the legislation are achieved through the current model of service provision, which incorporates a fire levy as an equitable basis for tax collection and also through provision of some special powers to fire and rescue officers which allow them to complete their duties effectively. The benefits to the community, as evidenced by the public's high level of satisfaction with fire and rescue services, outweigh the costs.

The review indicated that the current implicit barriers to competition contained in the Act support the current model of service provision. No reasonable alternatives to the current model were identified. The review concluded that the current regulatory regime was the only way to achieve the objectives of the legislation without seriously disadvantaging certain groups within the community.

# **Section 1 - Introduction**

## **1.1 National Competition Policy**

The National Competition Policy (NCP) represents a commitment by all Australian governments to a consistent national approach to achieving greater economic efficiency and improving the overall competitiveness of the Australian economy. The Competition Principles Agreement (CPA) was made between States and Territories and the Commonwealth and establishes consistent principles governing the pro-competitive reform of government business enterprises and government regulation.

The responsibility for ensuring compliance with NCP is shared between the Queensland Department of Premier and Cabinet and Queensland Treasury. However, Queensland Treasury is specifically responsible for the day-to-day management of the program.

## **1.2 Competition Principles Agreement**

Under clause 5(1) of the CPA, all governments agreed to the principle that legislation should not restrict competition unless it can be demonstrated that:

- benefits of the restriction to the community as a whole outweigh the costs; and
- objectives of the legislation can only be achieved by restricting competition.

The Department of Emergency Services is required to consider the costs and benefits to the community of possible anti-competitive provisions identified in the *Fire and Rescue Authority Act 1990* (the Act). The assessment process by which these costs and benefits are assessed is known as a Public Benefit Test (PBT).

This document is provided to meet the requirements of the CPA.



## **Section 2 - National Competition Policy Reviews**

### **2.1 General principles**

In reviewing legislation that restricts competition, clause 5(9) of the CPA requires that the review should:

- clarify the objectives of the legislation;
- identify the nature of the restriction on competition;
- analyse the likely effect of the restriction on competition and on the economy generally;
- assess and balance the costs and benefits of the restriction, and
- consider alternative means of achieving the same result including non-legislative approaches.

Without limiting the matters to be considered in a review, Clause 1(3) of the CPA sets out the following matters that should be taken into account:

- government legislation and policies relating to ecologically sustainable development;
- social welfare and equity considerations, including community service obligations;
- government legislation and policies relating to matters such as occupational health and safety, industrial relations and access and equity;
- economic and regional development, including employment and investment growth;
- the interests of consumers generally or of a class of consumers;
- the competitiveness of Australian businesses, and
- the efficient allocation of resources.

The Queensland Government places a strong emphasis on community consultation and requires departments to take into account the Government's Priority Outcomes for Queensland in the PBT process. These are:

- more jobs for Queenslanders;
- building Queensland's Regions;
- skilling Queensland;
- safer and more supportive communities;
- better quality of life;
- valuing the environment, and
- strong government leadership.

The CPA also requires that the PBT operate within these government policy guidelines to determine whether a more effective model of fire and rescue services could be encouraged through changes to legislation.

This report is structured in accordance with the issues listed in Clause 5(9) of the CPA.

## **Section 3 - Review of the Legislation**

### **3.1 Objectives of the legislation**

The primary aim of the *Fire and Rescue Authority Act 1990* is to protect people, property and the environment from the devastation caused by fires and certain other incidents. The legislation provides powers to a fire and rescue service to prevent and respond to fires. The urban fire and rescue service is established to provide services to property owners in the larger towns and cities across the State. It is funded by the payment of a tax called the "fire levy", collected by local governments, which is the major source of revenue of the fire and rescue service, the Queensland Fire and Rescue Authority (QFRA). Rural fire services are established in areas not covered by urban services and local councils may collect a rural fire levy to support local rural fire brigades.

### **3.2 Restrictions on competition**

An analysis of the Act has not identified any section that specifically restricts entry to the emergency response market ie responding to incidents including fires, urban search and rescue, chemical incidents and road accident rescue. However, the following provisions were identified as giving a competitive advantage to the government controlled provider, the QFRA:

- special powers given to QFRA employees and other prescribed persons (Part 6 of the Act); and
- the imposition of a levy on all property owners in urban fire districts and some non-urban areas (Part 10 of the Act).

These provisions have the potential to act as barriers to any private provider attempting to enter the emergency response market.

There have been no approaches made by potential fire and rescue service providers seeking entry to the emergency response market. However, there are some private companies that would be likely to express interest in some niche markets, such as airports, mine sites and some large industrial installations if property owners were able to make alternate arrangements for payment of the levy.

The restrictions on competition in the rural market are not as substantial as those in the urban market. Whilst rural fire brigades are given powers necessary to combat fires, they are staffed and operated by volunteers and funded substantially through their own fundraising activities, which are then subsidised by government for approved purchases eg a new fire appliance. Local governments have discretion to impose a fire levy and contribute amounts raised to rural fire brigades operating in their respective areas (section 128A of the Act). The introduction of a fee for service regime for the fire response market should also be considered in terms of the possible implications for volunteer services.

#### **3.2.1 Powers of officers**

Part 6 of the *Fire and Rescue Authority Act 1990* bestows a significant number of powers on authorised fire officers in relation to:

- dangerous situations;
- disposal of property;
- preventative or investigative purposes;
- entry;
- requiring a person to provide name and address; and
- requiring reasonable assistance to be provided by a person having responsibilities in relation to particular premises.

These powers are necessary for authorised fire officers to respond appropriately in emergency situations and to conduct preventative and investigative work as required. Examples of these powers include the right to close roads, disconnect gas and electricity supplies and carry out investigations into the cause of fires. Part 6 is reproduced in Attachment 1.

It could be argued that the powers given to QFRA officers and rural firefighters, when activated, give the QFRA an advantage over potential competitors. A review of a number of other States has established that fire officers in those States are given similar powers under their respective legislation. It is reasonable to expect then that a competitor would require a range of powers to operate effectively and to be able to respond appropriately in emergency situations.

This is a secondary consideration that is dependent on the threshold issue of whether the levy system should be restructured to make competition in the emergency response market easier. Should the levy system be restructured in a manner in which it is plausible that a competitor would enter the market, consideration would have to be given to providing potential competitors with similar powers to those given to QFRA officers. Part of this process would need to include a consideration of the appropriateness of providing these statutory powers to a person not responsible to the community through a Minister and Parliament.

### **3.2.2 Fire levies**

In 1998/99 the public paid about \$192.9 million for the operating expenses of the QFRA (Annual Report p82) either directly through user charges, fire levies applied to properties or indirectly through government contributions.

From 1 July 1999, property owners of a detached house or strata title unit in an area staffed by full-time firefighters on a 24-hour basis (Class A service) pay \$112 per annum. This amount reduces to \$55 per year for homeowners protected by a station fully staffed by auxiliary firefighters (Class D service). There are two intermediate classes with proportionate fees. The highest amount paid is for a casino of more than 20 levels or an oil or fuel depot (including refinery) with licensed capacity over 250,000,000 L. This fire levy group pays \$218,192.80 annually in a Class A area.

In May 1999, there were 56 local governments which imposed a rural fire brigade levy. Where collected, fire levies range from \$5 to \$40, with an average charge of about \$25 per household per year. Many other Shires provide 'in kind' assistance such as staff, plant and equipment, as required. The Aboriginal Councils pay for all requirements in relevant areas.

The presence of the fire levy system is likely to be a considerable barrier to entry for a potential competitor in the emergency response market. The fire levy was introduced by the State Government in 1984/85 and provides a significant proportion of funding to the State's fire and rescue services. For example, in 1998/99, revenue from fire levies totalled \$144.95 million compared to total Government revenue of \$40 million (Annual Report p 93). Authority for the introduction and administration of the urban fire levy lies with the State Government. Accordingly, the State Government determines the specific nature of the services provided. Put simply, the levy is a tax tied directly to the provision of a government service.

## **3.3 The current regulatory model in Queensland**

The following section describes the current model of delivery of fire and rescue services in Queensland. It finds that the special powers assigned to fire fighters and the legislative imposition of a levy on property owners have the potential to restrict competition and impose a financial burden on the economy generally.

Despite the implicit restrictions on the provision of fire and rescue services in the State, there is a significant number of competitors providing training and advice on fire related issues including building compliance with fire safety regulations. The Act does not prevent or hinder competition in these segments of the market.

## Section 3 continued ...

### 3.3.1 The Queensland model of fire and rescue services delivery

#### Legislative responsibility

The Queensland Government, like all other State and Territory governments, is responsible for the delivery of fire and rescue services. Funding mechanisms differ throughout Australia as shown in the table below:

State or Territory	State Govt. %	Local Govt. %	Levies on insurance companies %	Levies on property owners %	User charges %	Other %
NSW						
NSW Fire Brigade	14	12	74	0	0	0
Rural Fire Service	14	12	74	0	0	0
Victoria						
Metropolitan Fire & Emergency Services Board	10	10	64	0	1	14
Country Fire Authority	21	0	69	0	3	6
Queensland						
Queensland Fire & Rescue Authority	21	0	0	74	4	1
Western Australia						
Fire & Rescue Service (permanent)	13	13	75	0	0	0
Fire & Rescue Service (volunteers)	100	0	0	0	0	0
Bush Fire Service	100	0	0	0	0	0
South Australia						
Metropolitan Fire Service	0	0	0	100(1)	0	0
Country Fire Service	0	0	0	100(1)	0	0
Tasmania						
Tasmania Fire Service	6	0	20	53	18	3
ACT						
Emergency Services Bureau	76	0	1	0	21	2
Northern Territory						
Fire & Rescue Services	100	0	0	0	0	0
Bush Fires Council	100	0	0	0	0	0

Source: Report on Government Services 2000, p.906 (excluding South Australia)

(1) In September 1999, South Australia introduced a property based levy system for funding all emergency services in that State.

The bulk of funding is provided by State and local government levies on insurance companies and property owners, and user charges.

In Queensland, the State Government provides about 21 percent of funding, levies on property owners about 74 percent and user charges about four percent. The Act provides the head of power for the Queensland Government contributions and for fees and levies charged at levels set in the associated Regulation.

The New South Wales system provides for 14% of revenue from the State Government, 12.3% from Local Government and 73.7% from insurance companies, with these percentages embodied in the legislation. The insurance levy is based on annual premium returns from each insurance company and, while accounts are raised on the insurance companies by the Fire Service, the funds are paid to the State Government. The Fire Service then receives the funds from the State Government.

Accounts are also raised on 178 Councils, for 12.3% of the actual cost of fire services in their areas. In an additional six fire districts where there are multiple councils in each district, the cost of the fire services are shared, based on aggregated land values for each Council. The percentage is then applied to each Council's share of the cost.

Victoria and Western Australia have similar funding arrangements in place, although the applied percentages and the methods of collection vary from state to state.

South Australia has also used this funding approach in the past but in September 1999 changed to a property based levy system. The levy provides funding for all emergency services and is applied to all fixed and mobile property ie land, buildings, motor vehicles, caravans, trailers etc. The levy is collected by the Revenue Section of the Treasury Department and is then disbursed to the emergency services.

Tasmania uses a combination of insurance and property levies to provide about 73% of overall funding. The insurance levy is based on total premiums of insurance companies for prescribed classes of insurance where there is a fire component and is paid by the individual insurance companies. The property levy is calculated on the annually assessed aggregated value of properties for each Council and is collected by the Councils from individual ratepayers on behalf of the fire service.

#### **The Queensland funding mechanism**

The QFRA is funded mainly by fire service levies collected through rates on prescribed properties ie properties within an urban district serviced by paid QFRA staff and through a contribution made by the Queensland Government in recognition of protection provided to government property. These funding sources provided for operating expenses of about \$192.9 million in 1998/99. (Annual Report, p82.)

The Act requires property owners to pay a fire levy based on the type of property and the level of QFRA resources provided in the area. Properties are grouped into 16 categories for levy purposes and the level of QFRA resources available determines placement in one of four classes, Class A, B, C or D fire levy districts.

However, while the Act does not expressly prohibit other fire and rescue service providers from entering the market, the Act does not provide for situations where a property owner may wish to implement alternative fire service arrangements which fall outside of the State operated system. Specifically, the levy system is compulsory for all owners of prescribed properties.

This system has most probably arisen because, historically, there has never been a private fire and rescue service provider offering fire and rescue services to property owners in Queensland.

## **Section 3 continued ...**

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### **Urban fire services**

Urban fire services are provided by 2129 full-time staff, 1962 part-time firefighters and over 120 casual and temporary staff (Annual Report, p14). The decision to provide a service with paid officers is made essentially on the basis of population density. In major urban centres, a 24-hour service staffed by full-time firefighters is maintained. As population densities decrease, the number of full-time officers decreases to zero. In their place, more part-time auxiliary firefighters provide fire and rescue services.

### **Rural fire services**

In less densely populated fringe urban, rural, and remote areas, the Rural Fire Service of the QFRA coordinates the delivery of fire services, utilising an estimated 44,600 volunteers (Annual Report, p14.). Equipment is either provided free or is subsidised by state or local governments. There are no fire levies imposed in these regions by the State Government.

In Queensland, local governments support 454 rural fire brigades out of a total of 1623 brigades from the collection of levies by 56 shire councils. In 1998/99, fire levy collections from rural shires totalled \$2.6 million, authorised under section 128A of the Act, for distribution to rural fire brigades in their areas. Commercial providers are deterred from entering these non-urban areas because:

- the geographic area is vast;
- the incidence of wild fires is rare; and
- a large response force is required.

It is considered that these factors would hinder the profitability of a private commercial operator. Currently, this problem is avoided by the fact that the State based system enjoys economies of scale and the rural services are heavily supported by volunteer firefighters.

### **Niche markets**

There are some non-QFRA fire and rescue services provided at mining sites and in other locations where the industry is not subject to the levy system. These are generally in remote areas or have special requirements. For example, the Commonwealth owned Airservices Australia staffs fire fighting facilities at Queensland's major airports to respond to aircraft and runway related incidents and is funded through a passenger and load levy. It has close planning links with QFRA for additional assistance in the event of a major incident. These are similar to the industrial brigades established in some European Community nations, (Home Office Research and Planning Unit Report, pp30-33.) but generally because of their remoteness, would not be expected to move off-site to neighbouring residential or industrial incidents.

The existence of niche markets could encourage competitive services in densely populated or highly profitable areas. However, such competitive services would decrease the current economies of scale of the Fire and Rescue Service Authority's operations, leading to overall increased costs and a detrimental outcome for Queenslanders.

The Act imposes no restriction on an organisation providing fire fighting services or contracting with another organisation to provide those services for a fee. However, in areas serviced by the QFRA, the imposition of a compulsory levy for the service implicitly blocks demand for a competitor's service, as households are already protected by the State operated service.

### **Rescue activities**

The Queensland fire service model also includes deployment for rescue activity or rescue assistance, often in conjunction with Queensland Ambulance Service officers and police in road accident work. Since the introduction of a Road Accident Rescue Policy, the Fire Service has been recognised as the primary responder for accident rescue.

In 1998/99 the QFRA responded to 10,080 fires, 4,440 rescues and medical emergencies and 4,340 other services. In addition, there was a total of 21,925 unfounded incidents (Annual Report, p12).

Government has also been prepared to fund QFRA employee training in specialist rescue techniques, to some extent outside fire prevention, fire fighting and car accident rescue core business, including:

- trench rescue;
- confined space rescue;
- where chemical hazards may exist;
- building collapse rescue, and
- vertical surface rescue.

These are likely to be only very rarely required and there is little likelihood that a private provider could operate commercially in this market. Due to the high cost and low incidence of these types of rescue activity, this business has traditionally been part of the broader fire and rescue service, as a means of maximising efficiency.

#### **Prevention and education for public safety**

The QFRA has a significant and increasing role in providing education about safety, specifically about fire prevention and safe response to fire. The benefits of this are diverse, diffuse and difficult to quantify. The QFRA has mounted successful public education campaigns to promote the installation of smoke alarms and home fire safety. It has recently introduced education programs in road accident prevention for senior school students.

Increased public safety awareness campaigns and a rise in the number of properties with smoke alarms are believed to be responsible for one of the lowest domestic fire death tolls in Queensland for many years. The Report on Government Services 2000 (p923) shows that Queensland has one of the lowest fire death rates in Australia.

#### **The high cost of preparedness**

Most of a professional firefighter's working life consists of being in a state of preparedness rather than actually attending to incidents. While the QFRA has appropriately trained firefighters ready to respond to incidents when the need arises it is unlikely that private providers would find this to be an attractive proposition given their profit motivation.

### **3.4 Alternative means of achieving the same result including non-legislative approaches**

CPA explicitly requires consideration of other pro-competitive models as viable alternatives to current models of service delivery which are 'protected' by legislation. The costs and benefits of the current model are then measured against the projected costs and benefits of the proposed alternatives.

An intense review of possible alternatives to the current fire service delivery in urban areas that would protect people, property and the environment from the devastation caused by fires and certain other incidents has been undertaken.

Three alternate models were analysed based on:

- total deregulation;
- purchaser/provider; and
- fee for service.

Following the public benefit test guidelines, it was concluded that there was no reasonable, viable alternative to the current system. Given the need for a legislative base to enact and enforce the fire levy system, non-legislative means of providing for fire and rescue protection for the community were rejected.

## **Section 3 continued ...**

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The following analysis is based on three main assumptions:

- a fire and rescue service is necessary to provide for the prevention of and response to fires and certain other incidents endangering persons, property or the environment, and for related purposes;
- officers of that authority require provision of some special statutory based powers to enable the most effective response in emergency situations; and
- the service must be adequately funded to remain viable.

The models discussed assume that there is a cost of provision of fire services which is essentially fixed, regardless of the number of responses undertaken, that will be shared amongst the populace in some way.

Fee for service models would require the very few people who directly benefit from fire and rescue services, perhaps one in a hundred home and business owners, car owners, boat or other property owners, to pay the large standing costs of the service. Insurance models spread that cost over a larger number of policy holders. Property owners who do not have the property insured, or who choose to self insure do not contribute.

Models incorporating a statutory based levy on property owners spread that same cost over all owners of that property type. Widening or narrowing the property type spreads the cost over more or fewer categories of property owners.

Moving from the current government controlled model to any other model requires expenditure for the establishment and maintenance of enhanced operational quality control mechanisms and audit and reporting systems. Additionally, maintenance of public fire education activities and continued support for the extensive volunteer network would still be required.

### **3.4.1 Deregulation**

Deregulation would allow any person or organisation to establish a fire and emergency response service across the State or in a particular geographic area. The model would include the removal of the legislative provisions for the fire levy, thus removing its effect as an implicit barrier to competition. The QFRA would withdraw or compete in the market according to its assessment of the commercial return. Service providers would have to seek fees for service from property owners or negotiate access to funds collected by government.

Property owners would be required to manage their own fire and rescue risks and make their own arrangements to cover the cost of emergency response services rather than pay a levy. This would have to be achieved by property owners paying the cost of services they receive on a fee for service basis or through insurance schemes.

#### **Insurance schemes**

Insurance schemes allow some property owners to 'self-insure'. Insurance rates are determined by a number of factors including the assessment of risk by the insurance companies, the numbers of properties insured and the numbers of claims made. In addition, the majority of insurance companies are also profit driven and insurance premiums are usually set at rates which enable the company to record profits.

While there is a potential for competition between insurance companies to result in a decline in the premium payable by certain policy holders, it is unlikely that a uniform benefit would be experienced throughout the State. Undoubtedly, at least some households seeking insurance would find that rates would be higher than the existing Government fire levy.

The Government is increasingly moving taxation schemes towards transparent payments of taxes for services provided and could be expected to require insurers to provide sufficient funds to meet the costs associated with the service provision. This could place further upward pressure on the cost of insurance policies.



This insurance based funding model was in place in Queensland until 1984-85 and was replaced with the current levy system. The intent of this change was to fairly distribute the costs of funding the fire service amongst all property owners, not just the ones who insured their properties.

The government enjoys economies of scale in the administration and collection of the fire levies by utilising the rates collection schemes of local government. It is likely that insurance companies could not take over collection of a 'levy like' payment without incurring significant additional costs which ultimately would be borne by the consumer.

The introduction of a compulsory insurance scheme, similar to that in place for Compulsory Third Party Insurance for motor vehicles may address these problems. While this would ensure that all households could pay for any fire and rescue services required, the Insurance Council of Australia has confirmed that there is no compulsory fire insurance scheme operating in any State or Territory in Australia at the current time. Hence there is no ability to compare this model with the property based levy system. However, it is highly likely that such a system, if it were possible, would also require significant government regulation and may be considered similarly restrictive to the existing fire levy.

One other significant detriment of an insurance based system is that it only pays fire and rescue services for tasks completed. As indicated earlier, a significant proportion of funding towards fire and rescue services is aimed at ensuring that services are prepared in the event of a fire or rescue situation. It may become very difficult for services to maintain this state of preparedness under an insurance based or fee for service system.

#### **Fee for service**

Under a deregulated model, households requiring fire and rescue services would be required to pay for the service provided if they were uninsured and could receive a bill in excess of \$4,500. In addition, an individual or property owner would be required to pay for any costs incurred by third parties eg damage to a neighbour's house. This model is discussed further in 3.4.3 below.

It is important to note that the removal of the levy system would not necessarily mean the removal of all regulatory mechanisms under the Act. The government would need to maintain regulatory mechanisms to ensure that the quality of service and public safety could be guaranteed, regardless of the funding mechanism.

Public education requirements and the need to support the volunteer network also indicate that the total deregulation model is not feasible. A model in which consumers are charged for fire education and other prevention activities is clearly counter-productive from a social policy perspective and does not accord with the Government's Priority Outcomes in providing Queenslanders with safer and more supportive communities.

#### **Privatised fire services**

Excluding the niche markets mentioned in section 3.3.1, there are no private fire services currently operating in any state or territory of Australia, (Report on Government Services 1999, pp669-674) or any European Community member nation except to part of the market in Denmark (Home Office Research and Planning Unit Report. London 1992, Foreword). In addition, private companies provide fire services to less than one percent of the population of the United States of America (Reason Foundation, Executive Summary).

An alternative model of sustainable private provision that did not involve the introduction of significant additional duties for firefighters could not be identified for introduction into Queensland.

Private provision is enabled in the USA because insurance companies reduce premiums for house and contents insurance if the homeowner is a subscriber to an established fire service. For example, in Chatham County, Georgia, the owner of a typical \$100,000US house will save about \$300 to \$350US on house and contents insurance per year. Since the cost of a subscription on a \$100,000US home is only \$113US, the subscriber homeowner will save a total of about \$200 to \$250US on insurance (Reason Foundation, p24, 1991 figures).

## Section 3 continued ...

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This significant discount in insurance costs for properties which subscribe to a fire service in the USA underpins the commercial opportunity if a private fire and rescue provider wishes to enter a geographic area with a population not covered adequately by a local county administration. Of course, the USA fire and rescue model also includes paramedic and ambulance services where prompt response requirements mean that distance from base is critical. When linked with such other services as car breakdown services, security patrols, delivery of urgent medical supplies, and locksmithing services for people locked in/out of buildings, the potential exists for a profitable privatised market.

In Denmark, the private company Falck Rescue Corps, formed in 1906, provides firefighting and ambulance services, rescue services and roadside vehicle assistance. The increased range of duties is presumably required to achieve profitability.

In contrast to the USA, the Queensland fire service is State based, rather than county based. In the USA, urban fringe conurbations are in a 'no man's land' where fire service provision must be negotiated with perhaps two or more county administrations or private providers. In Queensland, there is no such jurisdictional problem.

An important lesson to be learned from the USA experience is that most private fire companies make it a standing policy not to serve a jurisdiction already served by a unionised department. This is done for two reasons:

- to avoid the high cost of obtaining and retaining a contract with a municipality under these conditions; and
- to avoid being used as a bargaining chip by municipalities negotiating with their fire-department unions. (Reason Foundation, p21.)

In the USA, the growth in privatised fire services has been in communities without pre-existing, full-time, paid municipal fire departments. These localities include rural and semi-rural areas without fire protection, small towns with volunteer departments, newly incorporated towns, cities and fire districts and planned communities (Reason Foundation, Executive Summary).

The USA experience demonstrates that it is unlikely that more than one competitor will provide emergency response services in a particular geographical area despite the absence of restrictions on competition. It therefore appears that the market has elements of a natural monopoly.

The totally deregulated model would also lead to competition only for the potentially most lucrative sections of the market (the densely populated areas of the state), inevitably leaving government with the responsibility for providing these services in the unprofitable parts of the state. That is, deregulation could never be total.

One solution to this problem is competitive tendering, or establishing a purchaser/provider model, which is addressed below.

### **3.4.2 Purchaser/Provider model**

Another method identified to introduce competition would be to have the State establish a purchaser/provider model with the QFRA tendering along with private providers to provide an emergency response service across the State or to a particular area. The model requires a greater separation of QFRA functions, perhaps into a joint regulator/detailed purchaser role and into one or more 'ring fenced' business units or government business enterprises as provider. These business units would compete against each other and other potential providers for geographic area franchises. It may be possible that through competition and innovation, costs could fall to such an extent that the industry as a whole could earn a commercial return on investment and still charge a lower fee.

### **Outsourcing of government services**

It is current Government policy that no services currently provided in-house will be outsourced other than in circumstances where:

- actual shortages exist in appropriately skilled in-house staff;
- there is a lack of available infrastructure capital or funds to meet the cost of providing new technology; or
- it can clearly be demonstrated that it is in the public interest that services should be contracted out.

The first two conditions do not apply. There are no other jurisdictions where the purchaser/provider model has been implemented where there are pre-existing services staffed by full time officers. As noted above, the USA experience is that private providers are reluctant to enter this process.

Notwithstanding the Government's policy on outsourcing, there are other practical difficulties in relation to establishing a purchaser/provider model. These relate to equipment ownership and training.

### **Fire station and appliance ownership**

The USA experience is that the State would be required to supply the capital equipment (stations and an agreed level of appliances and equipment) so that there is a realistic ability to refuse to renew the contract with the current provider if quality levels are unacceptable. That is, different staffing conditions become the main element of price advantage.

### **Training**

The State would also need to consider that it would probably continue to be the main training provider, as the USA private companies advertise for fully trained staff, generally shedding onto previous employers, usually the armed forces, the long term cost of training raw recruits. In Queensland, fully trained staff would probably be sourced from the QFRA.

### **3.4.3 Fee for service model**

Fee for service models encounter the difficulty of collecting fees from those who benefit from having a fire and rescue service available that is able to respond effectively, but who do not receive a physical service. Fees to those few who do receive a service could be very high given the proportionally large amount of time firefighters are in a state of preparedness rather than actually attending to incidents.

The cost of 'down time' associated with a high level of preparedness would have to be apportioned in some manner if a fee for service model was introduced. As noted earlier, in 1998/99 the QFRA attended a total of 40,785 incidents at an operating cost of \$192.9 million. This is an average cost of about \$4,730 per incident, 21,925 of which were unfounded. This approach could lead to a conflict between the determination and application of reasonable charges, depending on the type of incident, and the need to fully recover the costs of providing fire services.

A fee for service model in which consumers are charged for fire education and other prevention activities is clearly counter-productive from a social policy perspective and does not accord with the Government's Priority Outcomes.

These issues indicate that a tax or insurance based model which spreads the high cost of preparedness over many individuals who may benefit rather than the few who do benefit is more desirable from a government policy perspective. As noted above, the insurance based model was rejected by government in 1984-85 and replaced with the current tax (levy) based model.

## Section 3 continued ...

### 3.4.4 Summary - Alternative models

It has not been possible to identify a realistic alternative model for a more detailed cost benefit analysis comparison with the current model. Total deregulation, purchaser/provider and fee for service pays models were analysed but rejected for the reasons discussed.

### 3.5 Assess and balance the costs and benefits of the restrictions

Without the identification of a viable alternative model, no significant advantage exists in completing an extensive cost benefit analysis of the current model. This section provides a brief overview of readily available data to support the conclusion that the current model of fire and rescue service provision has the confidence of the public.

The two matters contained in the Act which are considered to provide significant barriers to competition are:

- provision of special powers to fire officers; and
- provision for a levy on owners of prescribed properties.

As discussed previously, the former is a secondary matter to the implicit blocking of competition through the fire levy arrangements.

#### 3.5.1 Costs associated with provision of fire services

The QFRA Operating Statement for the year ended 30 June 1999 (Annual Report, p82) showed total revenues and operating expenses as follows:

#### Revenues

Item	Revenues \$ million
User charges	
Fire levies	144.9
Other fees	6.8
Property Income	1.2
Other Revenue	
Donations	0.3
Gain on disposal of non-current assets	0.3
Miscellaneous	1.3
Revenues from Government	
Appropriations	39.3
Motor Vehicle Insurance Fund	0.4
Gaming machine levy	0.3
TOTAL	194.8

### Operating Expenses

Item	Revenues \$ million
Employee expenses	140.1
Supplies and services	27.0
Depreciation and amortisation expenses	12.3
Grants and subsidies	2.0
Other expenses	11.5
<b>TOTAL</b>	<b>192.9</b>

#### 3.5.2 Benefits of government controlled provider

The key roles for the fire and rescue service that are facilitated by the current model are support for the extensive volunteer network in sparsely populated areas of the state and free public education about fire safety issues. Community awareness and education programs are an important component of risk management strategies for the prevention and self management of emergency events.

A community awareness survey of 4000 households undertaken in November and December 1999 showed that 64% of Queensland householders with at least one child aged 17 years or under have had children involved in a fire safety program at school. Three quarters of householders whose children had been involved in a fire safety education program at school believed that this involvement improved or increased their household's understanding of fire safety practices in the home.

Other initiatives aimed at preventing emergency events include:

- expansion of the Road Awareness and Accident Prevention Program targeted at year 12 students;
- expansion of the "Smoke Out Australia" campaign with QFRA officers collaborating with Government and private sector bodies to install smoke alarms in homes of senior citizens;
- an accelerated shift in community safety and fire prevention and "Operation Safehome" designed to encourage a greater penetration of smoke alarms in homes;
- expansion of the "Seniors' Fire Education" program to 80,000 Senior's homes; and
- a campaign targeting 56,000 rural residences to assist in the identification of local risk and self help procedures.

The importance and effectiveness of these educational and awareness programs can be illustrated by a marked increase in fire prevention activities in the community such as a rise in the number of homes with smoke alarms to 70% and an increase in other fire safety devices installed in homes. The Report on Government Services 2000 (p923) shows that Queensland has one of the lowest fire death rates in Australia and it is believed that increased public safety campaigns and a rise in the number of properties with smoke alarms contribute to this good result.

A change from the current model to a deregulated or purchaser/provider model would result in a fee being charged for these services, or retention of additional public sector educators to carry out the work, or cessation of the programs.

In contrast to deregulated or purchaser/provider models, the current state-wide model provides a better career structure for firefighters and more effective training and administrative support efficiencies. Plant and equipment are more uniform, allowing efficiencies of scale in purchasing and training. Statewide, communication has been improved with the implementation of remote communications monitoring. This allows more isolated areas to be continuously monitored from a full time communication centre, which enables greater communication coverage and thus improved public safety throughout Queensland.

## **Section 3 continued ...**

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The existing model contributes to a better quality of life for all Queenslanders by ensuring the health and wellbeing of the community through accessible, equitable and affordable fire and rescue services.

The current model relies on some 44,600 volunteers to deliver services in less densely populated fringe urban, rural and remote areas. It is doubtful whether a commercial service provider could engender this type of support and commitment when it is charging the Government for the services it provides. It is reasonable to expect a significant increase in costs to maintain these services if there was to be a substantial deterioration in the volunteer base. The end result would be a flow on of these costs to the community.

Fire and rescue operational preparedness includes all activities necessary for firefighters to be prepared and ready to respond to a broad range of emergency response activities including practice, training, education and maintenance of competencies. Equipment and asset maintenance, fire appliance provision and maintenance, radio communications and other infrastructure required to enable effective response are a necessary part of being prepared. While the QFRA accepts that it needs to be in a constant state of preparedness with highly trained firefighters ready to respond to incidents as and when the need arises, it is unlikely that private providers would find this to be an attractive financial proposition given their profit motivation.

The recently commissioned survey of over 4000 homes to assess community fire safety perceptions, awareness and behaviours, found that the level of satisfaction expressed with the QFRA services is high. The survey established that 93% of people were either satisfied with the service or received a service above their expectations. This would indicate that the public is reasonably comfortable with the current model for provision of fire and rescue services, implicitly supporting the levy system and the level of powers provided to officers.

The objectives of the legislation are achieved through the current model of service provision, which incorporates a fire levy as an equitable basis for tax collection and also through provision of some special powers to fire and rescue officers which allow them to complete their duties effectively. The benefits to the community, as evidenced by the public's high level of satisfaction with fire and rescue services, outweigh the costs.

### **3.6 Review process**

#### **3.6.1 The public benefit test methodology**

A reduced NCP review process was undertaken, incorporating a desktop analysis of the current model of fire and rescue service delivery and proposed alternatives. This involved a qualitative assessment of the likely impact on stakeholders of the proposed alternative models, all of which were rejected. About three months of consultation within the portfolio and across government, particularly with Queensland Treasury, assisted in the assessment of the practicality and costs and benefits associated with these models. The initial environmental scan, as outlined above, involved an internal review by a Working Group within the Department of Emergency Services, as distinct from the QFRA. Targeted consultation with internal stakeholders was also undertaken.

### **3.6.2 Stakeholders**

The stakeholder groups in this matter were considered to be the following:

- residents—both home owners and tenants where fire service levies are charged;
- business enterprises and potential business enterprises;
- community;
- Queensland Ambulance Service and State Emergency Service;
- conservation/environment groups;
- state and local government;
- Queensland Fire and Rescue Authority and interstate counterparts;
- potential fire and rescue service providers;
- commercial providers of fire equipment and support services; and
- insurance companies offering policies for fire, vehicle, or rescue related risks.

Limited initial consultation was undertaken with these groups for the purposes of this review. The review drew on the outcomes of the more extensive survey of 4000 respondents that incidentally endeavoured to gauge public satisfaction with fire services, undertaken in another context. Stakeholder preferences, as developed in newspaper articles and various media sources, were also considered in relation to the key issues of the continued imposition of the fire levy and the associated benefits of the QFRA service provision.

## **Section 4 - Conclusion**

### **4.1 Deregulation would prove ineffective**

A consideration of other jurisdictions indicates that a model based on multiple fire and rescue response providers in a particular geographic area is not viable despite the absence of restrictions on competition and that natural monopolies exist in this market.

The fire and rescue market has many monopolistic characteristics mainly because high start-up costs must be 'sunk' into facilities, equipment and training, and demand is not sufficient to encourage more than one provider. This indicates that total deregulation would not provide the competitive benefits associated with increased numbers of market suppliers and in fact is likely to drive up costs as monopolistic pricing regimes are implemented.

If the fire and rescue services were totally deregulated, the government would be unable to guarantee that the objectives of the legislation would be achieved. This would be particularly evident in sparsely populated areas of Queensland, in the provision of fire prevention education and in support for the volunteer network.

### **4.2 Purchaser/provider model—government policy precludes outsourcing**

Historically, the State Government has funded fire and rescue services through a tied tax called a 'fire levy' that supports the current model of fire and services provision. The current model, analysed in purchaser/provider terms has the Minister and the Department of Emergency Services as purchaser with the QFRA as regulator and provider. This model requires the outsourcing of some or all fire and rescue services to introduce real competitive pressures. However the government has clearly detailed a policy which rejects outsourcing and although this is a valid alternative in theory, current government policy precludes the purchaser/provider model.

In addition, because the government must retain some capital works and equipment responsibilities if it is to be able to change providers for non-performance or other reasons, possible competition benefits of the purchaser/provider model are limited.

### **4.3 User pays model—inequitable**

A user pays model was also rejected because of the inequity associated with charging the few consumers who use fire and rescue services for the high costs of preparedness. This state of preparedness provides an intangible benefit to the many consumers who potentially could have required the service in that period. The levy system effectively costs this intangible benefit and charges for it.

No other reasonable alternative model was identified.

### **4.4 Cost and benefits of current model**

It was therefore not possible to assess and balance the costs and benefits of the current model against a different model to determine whether the benefits to the community of the current model as a whole outweigh the costs.

The review established that the 1998/99 cost of the current model of fire and rescue services delivery was \$192.9 million, drawn from information contained in the audited statements in the 1998/99 Annual Report of the Queensland Fire and Rescue Authority.

Data from a consumer survey of 4000 respondents indicated a high level of satisfaction with QFRA services. This is taken as a subjective measure of consumer appreciation of the benefits of the current model.



#### **4.5 Current model achieves legislative objectives effectively**

The objectives of the legislation are achieved through the current model of service provision, which incorporates a fire levy as an equitable basis for tax collection and also through provision of some special powers to fire and rescue officers which allow them to complete their duties effectively. The benefits to the community outweigh these costs.

The review indicates that the current implicit barriers to competition contained in the Act support the current model of service provision. No reasonable alternatives to the current model were identified. There is therefore no pro-competitive reason to change the current legislative provisions.

# Attachment 1

## PART 6—POWERS OF AUTHORISED FIRE OFFICERS

### Powers of authorised officer in dangerous situations

- 53.(1) An authorised fire officer may take any reasonable measure—
- (a) to protect persons, property or the environment from danger or potential danger caused by a fire or a chemical incident; or
  - (b) to protect persons trapped in any vehicle or building or otherwise endangered.
- (2) Without limiting the measures that may be taken for a purpose described in subsection (1), an authorised fire officer may for that purpose do any of the following—
- (a) enter any premises, vehicle or vessel;
  - (b) open any receptacle, using such force as is reasonably necessary;
  - (c) bring any apparatus or equipment onto premises;
  - (d) destroy, damage, remove or otherwise deal with any vegetation or any other material or substance, flammable or not flammable;
  - (e) destroy (wholly or in part) or damage any premises, vehicle or receptacle;
  - (f) shore up any building;
  - (g) close any road or access, whether public or private;
  - (h) shut off the supply of water from any main, pipe or other source to obtain a greater pressure or supply or take water from any source whether natural or artificial;
  - (i) cause to be shut off or disconnected the supply of gas, electricity or any other source of energy to any premises or area;
  - (j) require any person who, in the opinion of the authorised fire officer, is—
    - (i) the occupier of premises, being the site of or near to the site of the danger; or
    - (ii) in charge of anything that is the source of the danger or likely (in the opinion of the officer) to increase the danger;
- to take any reasonable measure for the purpose of assisting the officer to deal with the danger or answer any question or provide any information for that purpose;
- (k) require any person not to enter or remain within a specified area around the site of the danger;
  - (l) remove from any place a person who fails to comply with an order given pursuant to paragraph (k) and use such force as is reasonably necessary for that purpose;
  - (m) if unable to identify the person entitled to possession of property found at or near the site of the danger, take possession of the property and retain it for safe custody.
- (3) The owner of any building shored up pursuant to an exercise of the power conferred by subsection (2)(f) must pay to the authority upon demand all reasonable expenses thereby incurred by the authority and those expenses may be recovered in a court of competent jurisdiction as a debt due to the authority.

- (4) A local government, other authority or a person supplying water or any source of energy is not liable for any interruption of supply caused by the exercise of the power conferred by subsection (2)(h) or (i).

### **Disposal of property**

- 54.(1) Any property retained for safe custody pursuant to section 53(2)(m) must, as soon as is practicable, be delivered into the possession of a person authorised by, or a person belonging to a class of person authorised by, the chief commissioner for the purposes of this section.
- (2) The authorised person—
- (a) must cause the property to be returned to the person the authorised person believes is entitled to possession of it; or
  - (b) if unable to form such a belief, must dispose of or otherwise deal with the property in accordance with any code of practice or any direction given by the chief commissioner.
- (3) Subject to subsection (4), any dealing with property pursuant to subsection (2) does not affect the right of any person to recover the property by action from any person who has possession of it as a result of that dealing.
- (4) An action referred to in subsection (3) must be commenced within 6 months of the date on which the property was dealt with pursuant to subsection (2).

### **Powers of authorised officer for preventative or investigative purposes**

- 55.(1) At any time an authorised fire officer may enter any premises, vehicle or vessel or open (using such force as is reasonably necessary) any receptacle for any of the following purposes—
- (a) to prevent, or reduce the likelihood of, the occurrence of a fire or a chemical incident;
  - (b) to investigate whether or not fire safety measures and fire prevention measures have been taken or are being maintained;
  - (c) to ascertain the cause of a fire or chemical incident;
  - (d) to ascertain whether any provision of this Act or any notice, notification, order (written or verbal) or permit given under this Act has been or is being complied with;
  - (e) to ascertain whether a power conferred by this Act upon an authorised officer should be exercised, or to exercise a power under this Act.
- (2) The power of entry conferred by subsection (1) must not be exercised in respect of—
- (a) a building that is a dwelling or such part of a building as is a dwelling; or
  - (b) a vehicle or vessel used as a dwelling; or
  - (c) a tent or other structure used as a dwelling;
- unless the occupier has given approval to enter or unless entry is made during or in the aftermath of a fire or chemical incident occurring at the dwelling, for the purpose of ascertaining its cause.
- (3) An authorised fire officer who enters premises for the purpose referred to in subsection (1)(a) may, for that purpose—
- (a) bring any apparatus or equipment onto the premises; and
  - (b) burn, remove or otherwise deal with any vegetation or other material or substance, flammable or not flammable.

## **Attachment 1 continued ...**

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### **Extent of power of entry**

56. The right of entry conferred by section 53(2)(a) or 55—
- (a) includes the right to enter all parts of the premises, vehicle or vessel in respect of which the right is exercised; and
  - (b) authorises the person exercising the right to use a reasonable degree of force to ensure the proper exercise of the right.

### **Power to require name and address**

- 57.(1) An authorised fire officer may require a person—
- (a) to provide name and address if the authorised fire officer believes that the person may have committed an offence against this Act; and
  - (b) to provide proof of any name or address given upon requisition made under paragraph (a) if the authorised fire officer believes that the name or address is false.
- (2) A person who fails to comply with a requisition made under subsection (1) commits an offence against this Act.

### **Use of answer given under compulsion**

58. Where pursuant to this part a person is required to answer a question or give information, it is not lawful excuse to fail to comply with the requisition on the ground that to do so may tend to incriminate the person but any answer given or information provided after objection on that ground is not admissible against the person in proceedings other than proceedings taken for giving an answer or providing information knowing it to be false or misleading.

### **Reasonable assistance to be provided**

- 58A.(1) An authorised fire officer who enters any premises under this part may require any person having responsibilities in relation to the premises (whether as owner or occupier of the premises or as a person employed to work thereon or otherwise) to provide the officer with such facilities and assistance with respect to matters or things to which the person's responsibilities extend as are reasonably necessary to enable the officer to exercise the powers conferred upon the authorised officer by this Act.
- (2) A person who is required to provide facilities and assistance to authorised fire officer under subsection (1) must comply with the requisition.

### **Person acting at direction of authorised fire officer**

59. Any power conferred upon an authorised fire officer may be exercised by any person acting at the direction of an authorised fire officer and any power so exercised is taken to have been exercised by an authorised fire officer.

### **Directions concerning exercise of powers**

60. The exercise of a power conferred by or under this part on an authorised fire officer or any other person must be in accordance with any direction given by the chief commissioner and with any code of practice.

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