

Tasmania Fire and Emergency Service Bill

GPO Box 123 Hobart, TAS 7001

The following submission is completed on behalf of Britton Timbers.

Britton Timbers are an intergenerational timber and veneer processing operation based in Smithton and Somerset Tasmania with a wider timber distribution network throughout the mainland states. As well as owning Forestry estates of some 1,000ha based in Northwest Tasmania Britton Timbers primary asset base are in sawmilling and processing operations based at 3 Brittons Road, 10 Brittons Road, 22810 Bass Highway Smithton and 2 Elizabeth Street Somerset. Britton Timbers operations employ approximately 115 people at these locations and produce timber and sliced veneers for the domestic markets of furniture manufacturer, timber joinery, flooring, veneer panels, and internal fit outs of commercial and domestic premises.

Britton Timbers Tasmanian operations currently contribute fire service levy (FSL) through levy on its industrial special risk (ISR) insurance policy of 28% of premium value and through council levies which differ between Municipalities through urban and rural situations.

Britton timbers support reform to the fire service levy consistent with initial proposals. While the initial proposals are under review, the current method of levying through inconsistent rates and in particular property insurance is unfair, unjust and is causing our insurance premium to be escalated to the point where we need to take action to remove the excessive cost of insurance premium plus fire levy that we currently paying.

Due to our property assets of sawmills and timber processing plant being risk rated high by insurers and the need for our type of business to take a 2-year indemnity period means that to be sufficiently insured against loss of property and/or profits means we now pay a huge fire service levy on top of a huge insurance premium. Our insurance premium trebled in the past 3 years, making it harder to undertake business and remain competitive. On top of our insurance premium which is approaching \$1.0m, we pay 28% fire levy, with GST on top and then stamp duty across the total. In some of the past 3 years, our base insurance premiums have jumped over \$150k in one year, meaning the increase in FSL has been in the order of \$40,000-50,000 in a single year. This level of increase is unsustainable for our business and unsustainable for our manufacturing customers who we try and pass these increases on to.

As well as insurance premium + FSL Brittons are required to make a significant investment in fire mitigation and risk preparedness. We make continual improvements and investments to our fire equipment, water storage, fire monitoring



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& detection and sprinkler systems. We are currently undertaking a \$300,000 capital project in Smithton to upgrade our fire detection and monitoring systems to meet the latest Australian Standards, We have just upgraded our fire monitoring panel at Somerset at a cost of \$25,000, in the current year we have invested \$15,000 in new mobile fire tank, water pumps and hose reels, in 2021 we added two water storage tanks holding 110,000 litres each with automatic fill from both static and town sources for use by Tas Fire if required at a cost of \$150,000, and our people undertake annual fire training. These improvements and associated costs we regularly make are considerable, but not considered in any FSL calculation. We are of the firm opinion that our company goes above and beyond in its contribution to fire preparedness. There are many businesses and landowners In Tasmania who contribute little FSL, who oppose change and would consider our type of expense level to be abhorrent but expect a gold-plated fire service to protect them in times of emergency. To counter the rapid and unfair increase in premium + FSL, Britton Timbers are considering different options which will significantly reduce the amount of FSL we pay. The options currently before our board include the following:

1. We effectively self-insurance as much property as possible and remove insurance on profits and our 2-year indemnity period. We estimate a reduction in FSL under this proposed model of \$120,000-\$140,000 per annum, combined with a reduction in Stamp Duty.
2. Move our insurance from a Tasmanaian broker and Australian insurance company to an international broker and international insurance company which will result in a reduction in FSL of at least \$140,000, and a loss of business for a local Launceston based insurance brokerage firm.
3. Enter an industry collective discretionary mutual fund (DMF) with a large group of likeminded companies from around the country to collectively manage risk through a mutual fund. This proposal involves 12 Tasmanian and Mainland timber companies who have similar issues and has been worked on for 18 months. If we proceed with a mutual, Brittons and several other Tasmanian firms will gradually reduce the amount of traditional property insurance over a five-year period, meaning Brittons current FSL of 28% on close to \$1.0m premium will step down to a negligible amount by year five.

The above options have come about due to the horrific increases in insurance premium + FSL. The above options will also leave some significant holes in the current FSL collected by Government and their ability to fund an effective fire and emergency service.

A change to the State FSL based on consistent rates across councils for different sectors of the community based on AAV makes sense and brings fairness to raising monies to fund fire and emergency services. As can be seen from our situation it is very easy for us to pull a significant amount of funding from the current levy structure and if repeated by several similar companies would leave the government with serious holes in its revenue raising for fire and emergency.

I appreciate the opportunity to be able to comment on a situation that requires change, and I would be happy to provide further information if required.

Regards,

Shawn Britton

Managing Director