SHOPPING CENTRE
COUNCIL OF AUSTRALIA

1 December 2023

Tasmania Fire and Emergency Service Bill
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Draft Tasmania Fire and Emergency Service Bill and Funding Options Paper

The Shopping Centre Council of Australia (SCCA) welcomes the opportunity to provide feedback on the draft *Tasmania Fire and Emergency Service Bill 2023* (the Bill) and Funding Options Paper (Options Paper).

The SCCA represents major shopping centre owners and operators in Tasmania and across Australia. Our members own and operate 15 shopping centres in Tasmania, comprising >460 tenants and accounting for approximately 75% of shopping centre floor space.

We have previously engaged on reviews of the *Emergency Services Levy* (New South Wales) (2017) and *Fire Services Property Levy* (Victoria) (2013) and apply this experience in commenting on the Options Paper.

Summary

- **The SCCA does not support the Bill** on account of the prospective funding options put forward, which adversely affect our sector in a manner that is not "*fair*" or "*equitable*".[1]
- We note that Treasury has previously acknowledged the "*significant limitations*" in relation to its "*high-level modelling*", which is speculative at best; fundamentally because it does not incorporate local council-held data that would provide for an accurate calculation and understanding of the quantum of the impact on property owners.[2]
- This was subsequently acknowledged by Mr Michael Stevens in his independent review and advice to Government on the *Blake Review* and Treasury Options Paper.[3]
- **Our understanding is that funding options have not been costed or modelled with any degree of certainty**, relying on estimations based on average rates paid by property classification, which have been put forward for response. It may also be that Government is reticent to share any detailed costings or modelling.
- Either way, a lack of detail offered by Government does not allow for a fully informed or transparent discussion about the funding options proposed, which affects evidence-based policy development and may lead to unintended impacts on some property owners and windfall gains by Government.
- **The SCCA has access to members' levy and insurance data and rates notices**.
- **We have calculated the impact of the proposed funding options, which would increase fire and emergency service-specific taxation by 120% or 139% p.a**.
- **We expect that increased costs will be recovered by landlords from their tenants (an average increase of $712-$820 p.a. from each 'specialty tenant') and subsequently be passed on to consumers by way of increased prices**, such that any policy intent to shift the taxation burden to 'big businesses' with an assumed capacity to pay would not be achieved in practice.
- The prospective funding options clearly include a substantial element of cross subsidisation. Although we anticipate that commercial property owners will be taxed more than residential, the options proposed are excessive and do not correspond with the activities undertaken by fire and emergency services, including as they pertain to our sector.
- **The SCCA does not support the abolition of the insurance levy. We encourage Government to maintain the status quo and make up for any year-on-year shortfalls from consolidated revenue**.
- If Government is minded to proceed with legislative change regardless, and seeks to **make up the difference of a foregone insurance levy component, and minimise the impact on property owners, a broad range (0.6%-2.1%) of Assessed Annual Value (AAV) would have to be applied to commercial properties**.
- For instance, while a lower (~1.5%) rate would result in some properties being 'no worse off', others would still be exposed to significant increases.
- This highlights that the approach proposed by the *Blake Review* is overly simplistic as it does not provide for an equitable and nuanced distribution of the cost burden, in particular because it does not recognise or incentivise investment in fire suppression systems, building design etc., hence the difficulty in retrospectively applying a single AAV to commercial properties, where risk adjustments cannot be applied.
- Rather, Government's prospective approach prefaces addressing its own funding uncertainty, which is attributable to those that cannot afford or elect not to insure, or invest in mitigating fire-specific risks.
- Of note, **the property/insurance levy split for shopping centre landlords is 87:13, not 60:40 as assumed (and possibly modelled) by Government**, such that shopping centres stand to be further disadvantaged by the removal of a risk-adjusted insurance component.
- Accordingly, if Government proceeds to abolish the insurance levy, **revised funding options must incorporate risk-based adjustments**, amongst other changes to the thinking advanced by the Options Paper.

The formation of a Fire and Emergency Service Working Group and agreement to more closely consult with stakeholders – as indicated by the Minister on 11 November 2023 – is a much welcome development.[4] We are also grateful for the opportunity to have discussed our modelling with Government in the interim and trust that this is indicative of depth of understanding, capacity to accurately and reliably inform Government's deliberations, and willingness to engage in good faith.

Noting that Government has indicated that the funding options being consulted on are subject to continued stakeholder inputs and revision, our submission provides feedback on these regardless, as well as inherent that concerns we have with the approach outlined in the Options Paper and our want for greater clarity and engagement with Government.

Accordingly, **we respectfully seek to participate in the Working Group moving forward, to inform the development of new funding options and ensure that our sector's interests are represented, which is not possible at present**.

At the outset we also wish to make clear that the Property Council of Australia (PCA) does not represent the shopping centre industry, shopping centre owners, or speak on their behalf including in relation to the issues contemplated by the Bill and Options Paper. If any representations are made by the PCA to this extent, we request that the Department disregards such representations.

Recommendations

The Tasmanian Government should:

1. Retain the Insurance Fire Levy and make up for any year-on-year shortfalls from consolidated revenue.

If the Tasmanian Government is minded to proceed with legislative change and adopt a full property-based levy, supplemented by the existing Motor Vehicle Levy:

2. Invite the Shopping Centre Council of Australia to participate in the Fire and Emergency Service Working Group.
3. In consultation with the Working Group, prepare and then circulate revised funding options and modelling, in order to inform transparent consideration by affected stakeholders.
4. In doing so, make a series of adjustments:
    (a) Significantly reduce the differential rating based on land classification to ensure that no real property owners are worse off overall under any new funding option adopted.
    (b) Provide greater clarity and explanation as to the apportionment of costs to land owners and user groups.
    (c) Incorporate risk-based adjustments to account for the reduced risk posed by certain assets.
    (d) Increase the Motor Vehicle Levy from $21 to $32, which is proportionate with the level of risk posed.
    (e) The Tasmanian Economic Regulator should monitor and ensure that insurance premiums are lowered, proportionate with the insurance levy (28%).
    (f) Apply concessions through assistance programs from consolidated revenue, i.e. not subsidised by levy payers.
    (g) Assess transferring responsibility for collecting the levy from local governments to the State Revenue Office, with a view to reducing the 4% administration fee.
    (h) Cap levy increases at CPI or 5% p.a. (whichever is lower), including current levied amounts.
5. Option 2 (a two-tiered rate across Tasmania) is not supported in its current form.

As a principle, the SCCA does not support the abolition of insurance levies and transition to property-based levies with respect to fire and emergency service-specific taxation. Our experience is that this puts a stop on risk-based adjustments that are incorporated through insurance and simply introduces another property tax.

The introduction of the *Fire Services Property Levy* in Victoria a decade ago saw alleged cost savings not passed on through corresponding reduced insurance premiums, despite the appointment of Professor Allan Fels AO to monitor this specifically. Similarly, the SCCA opposed the prospective introduction of the *Emergency Services Levy* in New South Wales and maintains concerns about the NSW Government revisiting this.

The SCCA does not support the abolition of the insurance levy.

Recommendation 1 Retain the Insurance Fire Levy and make up for any year-on-year shortfalls from consolidated revenue.

However, we recognise that it is Governments stated intent to transition to a property-based levy, abolish the insurance levy, and continue to levy motor-vehicle users. This is broadly in line with recommendations made by the *Blake Review*.

If Government does proceed to abolish the insurance levy, our member's current contributions should not increase under any new funding model, which is a reasonable public policy expectation. We believe that a new levy should not give effect to introducing a 'land wealth tax', disproportionately taxing commercial and industrial landowners in particular.

Noting the parameters introduced by the *Blake Review*, and drawn on by Government, we strongly believe that mechanisms such as risk-based adjustments should still be introduced to deliver this outcome. Further, Government's consultation on the funding options presents an ideal juncture to consider the risks posed by various property classifications and user groups (i.e. motorists) and adjust the taxation burden accordingly.

Recommendation 2 Invite the Shopping Centre Council of Australia to participate in the Fire and Emergency Service Working Group.

Funding options differ significantly from those that have been consulted on

It is confusing to compare the options consulted on by Government in 2021 with those presented in the Options Paper. By way of example, Option 3B (which presents as the most comparable) would see an average residential property owner pay $261, or $320 with a Bushfire Prone Area (BPA) charge.[5] This contrasts sharply with the $180 cited in the Options Paper and suggests:

- that Government has sought to reduce the levy payable for residential property owners, and
- based on our analysis and the absence of costings or modelling (or a simple indication in the Options Paper), this has been offset by substantial increases for commercial and other non-residential property owners.

It is also relevant to highlight that the high-level financial modelling provided by Treasury to the *Blake Review* (and subsequently consulted on by Government) suggested "*businesses that are required to pay the Insurance Fire Levy under the existing model would be likely to receive a significant benefit under options 2 and 3*".[6] This is clearly not the case and is expanded on below and in separate modelling prepared by the SCCA.

Additionally, we note that the bounds of the Government's consultation changed part way through and that an updated Options Paper was uploaded on the Tasmanian Fire Service website between 13 and 16 October 2023. Specifically:

- Option 1 – Removal of a Rural Transition Guarantee of $100 to eligible regional households.
- Option 2 – Various adjustments to the rate applied to land classifications, per Figure 1:

Figure 1 – Adjusted Land Classification Rates

Land Classification	Rate (Initial)[7]	Rate (New)[8]	Change
Commercial	2.4%	2.6%	+0.2%
Community Services	0.5%	0.6%	+0.1%
Industrial	3.2%	3.4%	+0.2%
Other	0.5%	0.6%	+0.1%
Primary Production	1.2%	1.2%	Nil
Residential (Urban)	1.2%	1.2%	Nil
Residential (Rural)	0.6%	0.6%	Nil

Changing key figures with no explanation effects the confidence that we should have in known costings or modelling. It also underlines the significant cross subsidisation that commercial and industrial landowners would share, which would now be increased if Government adopts a two-tiered rate.

Funding volatility has markedly increased Government revenue

We note that a key driver for reform is to provide for budget certainty and that insurance-based taxes are generally "*inefficient*" and "*unstable*".[9]

In actuality, the volatility of fire service levies has positively impacted Government revenue in recent years. For instance, income for 2022-23 is estimated to improve by $12.5m (Figure 2), which is then reflected in revised forward estimates when contrasted with the 2021-22 Tasmanian Budget. We assume that the forward estimates also provides for Government's intent to double the Fuel Reduction Program (from $9m to $18m p.a.) and transition the State Emergency Services (SES) away from local government ($5m).

Figure 2 – Taxes on Property[10]

Table 5.5: State Taxation

	2022-23 Budget	2022-23 Estimated Outcome	2023-24 Budget	2024-25 Forward Estimate	2025-26 Forward Estimate	2026-27 Forward Estimate
	$m	$m	$m	$m	$m	$m
Payroll tax	451.0	488.9	512.6	537.5	563.7	591.1
Taxes on property						
Land tax	161.2	164.7	195.0	207.7	221.1	235.4
Fire service levies[1]	82.6	95.1	100.0	105.1	109.7	114.4
Government guarantee fees	14.9	14.2	18.1	23.1	26.1	29.1
Conveyance duty	435.3	361.2	350.7	362.7	384.5	407.7
	694.0	635.1	663.8	698.7	741.4	786.6

It is difficult to understand and accept, however, that TFS and the SES remain underfunded to the tune of $15m p.a., noting that TFS reported a net surplus of $7.89m in 2021-22, benefitting from a "*higher than anticipated revenue for* *the Insurance Fire Levy which was $8.3m above budget*", as well as an additional $17.7m in Tasmanian and Australian Government contributions.[11]

Regardless, we note that Government has indicated that it seeks to derive $100m from fire service levies in 2023-24, which is forecast to increase by ~5% p.a. over the forward estimates. Our assumption is that the funding options are intended to meet the fire service levies outlined in the forward estimates (per Figure 2) and not extend beyond this.

However, it is not clear how the options being consulted on correspond with those put forward by Government in 2021, align with the forward estimates, and require and/or give rise to substantial increased taxation for our sector (in contrast with residential property owners).

Recommendation 3 In consultation with the Working Group, prepare and then circulate policy costings and modelling, in order to inform transparent consideration by affected stakeholders.

Calculating the application of the proposed differential rates

The SCCA does not support a levy comprising AAV x 2.4% or 2.6% (commercial land classification), which would increase fire and emergency service-specific taxation by 120% or 139% when compared to the status quo. Across a sample of 12 shopping centres, this ranges from $80 to $1,630 (Option 1) or $116 to $1,798 (Option 2) per 'specialty tenant', which are predominantly small businesses and franchisees.

An example of one shopping centre is provided at Figure 3, with identifying commercial in confidence information redacted. This outlines the current contribution and potential increases of $33,613 or $39,775 (Option 1 vs Option 2), which equates to $859 or $1,016 per specialty tenant and $45,608 or $49,409 for the major tenant (supermarket).

Figure 3 – Shopping Centre 1 – Current Vs. Proposed Levy

Levy Basis	Rate - cents/$	Capital Value	Land Value	AAV	Property Levy	Insurance Levy	Total Levy - Current	Proposed Levy (2.4%)	Variance	Proposed Levy (2.6%)	Variance
AAV	[redacted]				$35,401	$4,931	$40,332	$73,945	$33,613	$80,107	$39,775

Again, we are grateful for the opportunity to have provided and overview of this modelling, which we would look to apply to any subsequent adjustments made and in discussion with the Working Group.

Noting the modest projected increases to fire services levies across the forward estimates, ~5% p.a., it is difficult to understand the significant increases that would apply to commercial properties. Our view is that Government should either retain the Insurance Fire Levy, or adjust the differential rating based on land classification, plus the existing Motor Vehicle Levy, ensuring that no real property owners are worse off overall under any new funding option adopted.

We note that Option 3A (a single fixed charge and a single variable rate applied to all properties, plus the existing motor vehicle levy), put forward by Treasury in October 2021 was largely supported stakeholders and an independent review, however, has since been abandoned by Government.

Land classification impacts AAV and will result in a corresponding higher proportion of the taxation burden being paid by commercial and industrial users (vs. residential) without an additional variable rate being applied. This must be acknowledged and incorporated in any new funding model adopted.

Recommendation 4(a) Significantly reduce the differential rating based on land classification to ensure that no real property owners are worse off overall under any new funding option adopted.

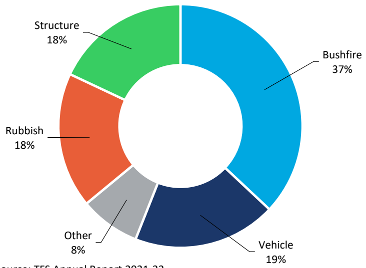
Funding apportionment and 'equalisation'

We seek to understand how funding is apportioned under the proposed funding options, noting that there is significant cross subsidisation between residential vs. commercial and industrial land and reference to '*equalising*' the tax burden.[12]

Government seems to rationalise "*equalising the current payment model*" by applying different rates based on a property's classification, for instance on account of the "*greater risk or complexity*" of commercial/industrial vs. residential fire and emergency responses.[13] These arguments are not mutually exclusive.

Our view is that although we anticipate that commercial landowners will be taxed more than residential, the options proposed are excessive. "*Equalising*" the tax burden would likely involve a greater portion of the tax burden being shared by residential property and vehicle owners, corresponding with the activities undertaken by fire and emergency services (per Figure 4).

Figure 4 – Tasmanian Fire Service - Fires Attended 2021-22 by Type[14]

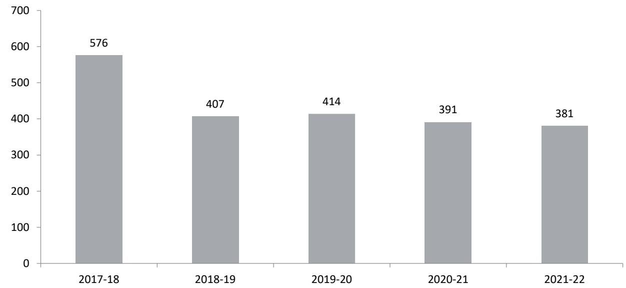


Source: TFS Annual Report 2021-22

By way of example, Figure 5 denotes 381 structure fires attended in 2021-22, whilst TFS explains that it '*responds to more than 350 house fires each year*'.[15] On this basis, 92% of structure fires are attended at residential houses and only a prospective 8% of all other fires are industrial/commercial.

This amounts to only 0.3% of annual incidences being non-residential structural fires, yet commercial and industrial property owners are charged exponentially. It is therefore obtuse to suggest that "*fire and emergency response at commercial or industrial premises are often of greater risk or complexity to respond to than residential property*" is an appropriate justification.[16]

Figure 5 – Tasmanian Fire Service – Structure Fires by Year



Source: TFS Annual Report 2021-22

Accordingly, we question the rationale and logic behind apportioning costs on the basis outlined in the Options Paper and seek greater clarity and explanation of this.

Recommendation 4(b) Provide greater clarity and explanation as to the apportionment of costs to land owners and user groups.

Additionally, Government should consider and account for measures taken by landowners to reduce their risk profile. For instance, the funding options do not reflect that shopping centres present a very low fire risk, which includes millions of dollars of capital and operational investment in fire suppression equipment. This is particularly pertinent as Government cites the risk and complexity of commercial and industrial land users, and with the removal of Insurance Fire Levy and corresponding opportunity to reduce insurance premiums.

Recommendation 4(c) Incorporate risk-based adjustments to account for the reduced risk posed by certain assets.

Motor vehicles

We strongly believe the state's >600,000 registered motor vehicles should be included as part of any funding option.[17] However, $21 p.a. (indexed annually based on CPI) is proportionately very low for the level of risk posed. If funding was apportioned on the basis of overall callouts (i.e. 19% for motor vehicles), a simple flat fee of $32 p.a. per vehicle would raise a fair contribution. In addition to being equitable, transparent, and efficient, this would also negate the need for real (or immobile) property to subsidise motor vehicles and lessen the levy impacts on real property.

Recommendation 4(d) Increase the Motor Vehicle Levy from $21 to $32, which is proportionate with the risk posed.

Insurance premiums

The SCCA notes that the Insurance Fire Levy comprises an additional 28% on commercial building insurance premiums. This is a significant portion of insurance taken out by our sector. We expect that this should lead to corresponding lower insurance premiums. We submit that Government, specifically the Office of the Tasmanian Economic Regulator, should proactively monitor and ensure that premiums are lowered, for all building insurance policyholders, accordingly.

Recommendation 4(e) The Tasmanian Economic Regulator should monitor and ensure that insurance premiums are lowered, proportionate with the insurance levy (28%).

Concessions

The SCCA agrees with the principle that pensioners are in part shielded from the funding of fire and emergency services. The most equitable way of doing so would be through assistance programs from consolidated revenue, directed to people eligible for pensioner concession cards, health care cards and veterans' affairs cards. This should not be done by adding to the contributions assessed on other levy payers.

Recommendation 4(f) Apply concessions through assistance programs from consolidated revenue, i.e. not subsidised by levy payers.

Funding collection

The SCCA does not support the continuation of a 4% collection fee for local governments. Our view is that this is not proportionate to the administrative burden on local government collection (administration and handling of complaints). We note that the Local Government Association of Tasmania is opposed to this and contends that "*levy costs would be greater than 4%*" if administered centrally, which is not challenged by the Treasury's independent reviewer.[18] This is difficult to accept if not tested.

Recommendation 4(g) Assess transferring responsibility for collecting the levy from local governments to the State Revenue Office, with a view to reducing the 4% administration fee.

Valuation exposure

As higher valued properties, shopping centres are particularly sensitive to land valuation movements. This is particularly the case with a six-year valuation cycle, and also with the adoption of AAV as the basis for calculating a new Fire and Emergency Service Levy.

This exposes our sector (and by extension of tenants) to significant windfall gains by Government in the instance of a marked increase in AAV, and also at the outset of the new calculation being applied (e.g. the shopping centre highlighted in Figure 3). Accordingly, Government should 'cap' levy increases at CPI or 5% p.a. (whichever is lower), to minimise initial and continued exposure to land valuations.

Recommendation 4(h) Cap levy increases at CPI or 5% p.a. (whichever is lower), including current levied amounts.

Distinguishing between geographic zones

We support the efficiency of a single fixed charge and a single variable rate applied to all properties, plus the existing Motor Vehicle Levy. The SCCA does not support Option 2 on the basis that commercial property owners would offset even greater savings for rural residential landowners (per Figure 1), including where shopping centres are located in rural areas but do not benefit from a reduced rate.

Recommendation 5 Option 2 (a two-tiered rate across Tasmania) is not supported in its current form.

Next steps

The SCCA thanks Government for its consideration of this submission and in our earlier meeting. As discussed, the SCCA seeks to contribute an in depth understanding and experience with respect to insurance and property taxation, the capacity to accurately and reliably inform Government's deliberations, and continue to engage in good faith.

Respectfully, we reiterate our desire to participate in the Fire and Emergency Service Working Group as the most effective means of engaging with Government moving forward. Shopping centres are a $1.2b sector in Tasmania and distinct subset of commercial properties not currently represented in more focussed discussions with Government.

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[2] Department of Treasury and Finance, *Review of the Fire Service Act 1979: Options Paper: Fire Service Funding Arrangements*, October 2021, p. 6.
[3] Mr Michael Stevens, *Fire Service Act Review: Consultation Outcomes Report on the Blake Review and Treasury Options Paper*, October 2022, pp. 11-12.
[4] The Hon. Felix Ellis MP, *Fire and Emergency Service Working Group to tackle the challenge for our future*, 11 November 2023.
[5] Department of Treasury and Finance, *Review of the Fire Service Act 1979: Options Paper: Fire Service Funding Arrangements*, October 2021, p. 12.
[6] Department of Treasury and Finance, *Review of the Fire Service Act 1979: Options Paper: Fire Service Funding Arrangements*, October 2021, p. 14.
[7] Tasmania Fire Service, *Options Paper – Funding Model for the Tasmania Fire and Emergency Service*, September 2023, accessed 28 September 2023, pp. 1-3.
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[9] Tasmania Fire Service, *Fire and Emergency Service Act Reform*, <www.fire.tas.gov.au/reform/what-is-changing/>, accessed 17 October 2023.
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[15] Tasmanian Fire Service, *Home Fire Safety*, <www.fire.tas.gov.au/Show?pageId=colHomeFireSafety>, accessed 23 October 2023.
[16] Tasmania Fire Service, *Options Paper – Funding Model for the Tasmania Fire and Emergency Service*, September 2023, p. 2.
[17] Tasmanian Government Department of State Growth, *Vehicle Registration and Licensing*, <www.stategrowth.tas.gov.au/vehicle_registration_and__licensing>, accessed 13 October 2023.
[18] Local Government Association of Tasmania, *Submission to Blake Fire Services Act Review and Treasury Options Paper*, p. 6.

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