



Review of Fire and Rescue NSW's
fees and charges

Issues Paper

August 2021

Tribunal Members

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Invitation for submissions

IPART invites written comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

Submissions are due by Tuesday, 12 October 2021

We would prefer to receive them electronically via our online submission form [Lodge a submission](#)

You can also send comments by mail to:

Review of Fire and Rescue NSW's fees and charges
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop, Sydney NSW 1240

Late submissions may not be accepted at the discretion of the Tribunal. Our normal practice is to make submissions publicly available on our [website](#) as soon as possible after the closing date for submissions. If you wish to view copies of submissions but do not have access to the website, you can make alternative arrangements by telephoning one of the staff members listed above.

We may choose not to publish a submission - for example, if it contains confidential or commercially sensitive information. If your submission contains information that you do not wish to be publicly disclosed, please indicate this clearly at the time of making the submission. However, it could be disclosed under the *Government Information (Public Access) Act 2009* (NSW) or the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), or where otherwise required by law.

If you would like further information on making a submission, IPART's submission policy is available on our website.

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We make the people of NSW better off through independent decisions and advice. IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from [IPART's website](#).

Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders, past, present and emerging.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

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1 Introduction

IPART is reviewing Fire and Rescue NSW (FRNSW)'s fees and charges.

FRNSW is the State Government agency responsible for providing fire and rescue services in cities and towns across NSW, and hazardous material (hazmat) incident and counter-terrorism responses in all parts of the state. FRNSW is also responsible for fire prevention and safety in buildings through planning advice, approvals and inspections, automatic fire alarm (AFA) management, training and community education.

FRNSW does not charge for its core services of attending fires within its fire districts and rescue operations. Insurers of property in NSW, local councils, and NSW taxpayers fund these services via the Emergency Services Levy (ESL). We are not reviewing the ESL.

Figure 1 shows types of FRNSW's services for which we examine fees and charges in this review.

Figure 1 What FRNSW services are we reviewing?



FRNSW may charge for services prescribed by the *Fire Brigades Regulation 2014* (FB Regulation). Examples include attending hazardous materials incidents, statutory fire safety activities and false alarm call-outs to automatic fire alarms.

FRNSW can also charge for services it offers which other providers offer as well. These include training, consultancy, and providing personnel for events. FRNSW delivers these services via a Registered Training Organisation, ComSafe. FRNSW provides these services in a commercial, competitive market and is subject to competitive neutrality requirements.

FRNSW also has administrative arrangements with other government agencies, for example, for the provision of shared services. FRNSW recovers part of its costs associated with providing these services via cost-recovery arrangements.

FRNSW's charges have remained the same for several years. Some charges have not changed since 2006. FRNSW's operating costs have increased over time, so it is timely to review the charges.

FRNSW also provides some services for which it does not currently charge. In several instances, charges could help FRNSW allocate its resources for more benefit to the community and to manage risk better. Also, charges could incentivise FRNSW's customers to manage risk better themselves.

With the FB Regulation due for statutory repeal, the Minister for Customer Service has requested that IPART review FRNSW's current charging model and recommend which FRNSW services should be subject to charges, and the most appropriate pricing framework for those charges.

The recommendations of our review will be considered as part of the consultation on the FB Regulation when it is remade.

1.1 The scope of our review

Our terms of reference ask us to review FRNSW's current charging model and make recommendations on:

- which FRNSW services should be subject to user-pays charges
- a pricing framework to recover the efficient costs of those services, including:
 - a methodology or level for prices from 1 September 2022
 - a methodology for reviewing and adjusting prices in future
 - a regulatory framework for applying those prices.

In making recommendations, we are to have regard to:

- the efficient cost of delivering the services in question
- appropriate incentives for service users to avoid incidents and events that require FRNSW attendance (e.g. fire alarm maintenance to prevent false alarms, safe handling of hazardous materials etc)
- any public benefit of the FRNSW's activities which should not be charged to the service user.

Appendix A provides our full terms of reference.

1.2 Our proposed approach for this review

We have developed a proposed approach that will ensure we take account of all matters required by our Terms of Reference. Our proposed approach comprises the following key steps:

1. Develop principles for assessing which services should have user charges and which of those services should have charges set out in the Regulation. We will also form a view on pricing principles on how the charges should be set.
2. Identify which of FRNSW's services should have user charges, based on the principles from step 1.
3. Of the services identified in step 2, assess which should have charges set out in the Regulation, based on the principles from step 1.
4. Develop and apply a pricing methodology for these services. This will involve deciding:

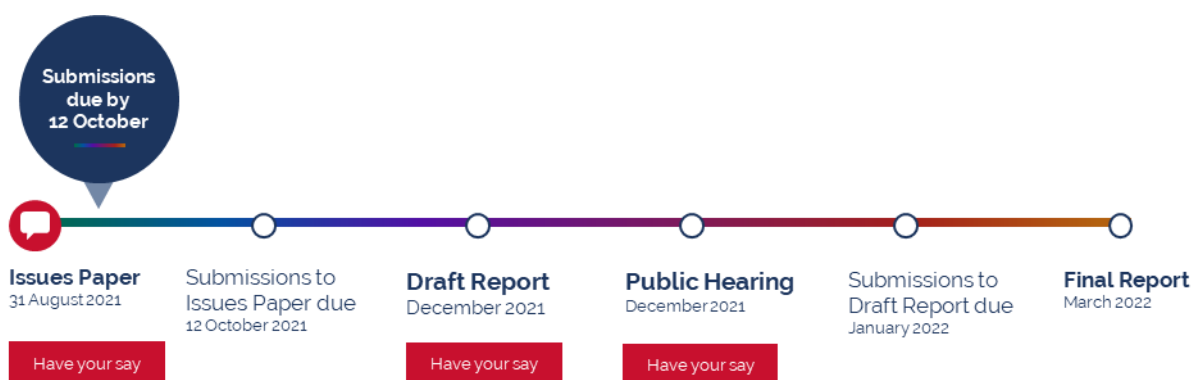
- a. What 'form' of price regulation is appropriate for FRNSW's services
 - b. For how many years we will be recommending charges (or a pricing methodology) for those services
 - c. What costs FRNSW should recover from charges and what approach we should use to estimate the efficient level of these costs
 - d. Appropriate pricing structures or other pricing mechanism for FRNSW to recover the efficient costs through its charges
 - e. Recommending charges (or a price methodology) for those services from 1 September 2022
5. Decide on a recommended regulatory framework for applying those charges, including a methodology for reviewing and adjusting charges in future.

1.3 How we will conduct this review

For this review, we will conduct a public consultation process and our own research and analysis. We will also consult with key stakeholders such as principal certifying authorities, planning authorities, consent authorities, local councils, developers, hydraulic/fire engineers, building owners, and other government agencies.

This Issues Paper is the first step in our public consultation. It describes and seeks comment on our proposed approach for the review. We invite you to make submissions in response to this paper by **12 October 2021**. We provide details on how to make a submission on page ii at the front of this paper.

We intend to release a Draft Report in December 2021 and conduct further consultation before making our final recommendations and providing a Final Report to the Minister for Police and Emergency Services in March 2022.



1.4 How we structured this paper

The rest of this Issues Paper provides more information on the review and our proposed approach:

- Chapter 2 provides an overview of FRNSW as an organisation, the structure of its current charges and our preliminary analysis of its costs and revenue.

- Chapter 3 discusses our key principles for assessing which services should be subject to user charges, and should have charges set out in the Regulation.
- Chapter 4 reviews a range of FRNSW's services and provides our preliminary view on which types of services should be subject to user charges, and which of those should have charges set out in the Regulation.
- Chapter 5 discusses how we propose to set charges for FRNSW's services, including establishing an appropriate pricing structure.
- Chapter 6 presents options for adjusting charges of FRNSW's services beyond the first year.

1.5 Issues on which we seek comment

The questions on which we invite your comment are set out in the chapters that follow. You may address all or some of these issues and are also free to raise and discuss any other issues relevant to the terms of reference. For convenience, we list these questions below:

IPART seeks comments on the following

1.	Do you agree with the proposed principles – equity, efficiency and risk mitigation – for identifying which of FRNSW's services should be subject to user charges? What other principles, if any, should apply?	18
2.	Do you agree that: <ul style="list-style-type: none"> – Only those of FRNSW's user charges which apply to monopoly services should be set out in the Fire Brigades Regulation – FRNSW should have more flexibility to set and change charges for services they offer in a competitive market? If not, why not?	19
3.	Do you agree with the proposed pricing principles that FRNSW's charges should be transparent, cost-reflective, equitable, creating positive incentives, simple, flexible; and consistent? Should we include any others?	19
4.	Which of FRNSW's services related to fire safety in the built environment should have user charges? Which of FRNSW's services related to hazardous materials should have user charges?	27
5.	Have we identified all FRNSW's non-core services? Non-core services include FRNSW's services other than responding to fires within its designated fire districts; community safety preparedness and engagement; and rescues.	27
6.	Do the following 3 categories accurately and appropriately reflect FRNSW's non-core services? Have we classified FRNSW's services into the 3 categories correctly? <ul style="list-style-type: none"> – monopoly services – contestable services – services provided to other agencies and jurisdictions. 	27
7.	Have we identified FRNSW's monopoly services correctly? Are there any other of FRNSW's services that we should classify as monopoly services?	27
8.	Have we identified FRNSW's contestable services correctly? Are there any other FRNSW's services that we should classify as contestable services?	28

9.	Which services provided to other agencies and jurisdictions should be user charged? Should those charges be set out in the Fire Brigades Regulation?	30
10.	How should we classify these other services into the three categories of FRNSW's services (i.e. monopoly services; contestable services; services provided to other agencies and jurisdictions)? Also, should any of these services be subject to user charges and have charges set out in the Regulation?	30
11.	Do you agree with our proposed approach of recommending charges for the first year and adjusting charges based on a cost index? If not, do you think we should recommend charges for each year? If so, why?	32
12.	Do you agree with recommending charges for five years? If not, what time period do you prefer and why?	32
13.	Do you agree with our proposed approach of using the cost build-up to estimate the total revenue requirement? If not, which approach do you prefer and why?	35
14.	Do you agree with our proposed approach for estimating efficient operating costs? If not, which approach do you prefer and why?	35
15.	Are there opportunities for FRNSW to provide its non-core services more efficiently? Non-core services include FRNSW's services other than responding to fires within its designated fire districts; community safety preparedness and engagement; and rescues.	35
16.	Do you think the current charges for FRNSW's services (where relevant) reflect the efficient cost of providing them?	35
17.	Do you agree with our proposed approach of including a margin allowance to compensate FRNSW for committing capital investment? If not, which approach do you prefer and why?	35
18.	Do you agree with using listed companies in the construction industry as comparable businesses to FRNSW to estimate a reasonable margin? If not, which industry provides alternative benchmarks?	35
19.	Are there any other charging structures that we should consider other than those listed below? <ul style="list-style-type: none"> – a fixed charge – a variable charge – a combination of a fixed and variable charge (e.g. a call out fee plus a time-based charge, an administration fee plus a time-based charge) – charge based on property value. 	38
20.	Are there specific FRNSW's services for which we should review charges to improve equity and efficiency? If so, which services?	38
21.	Are there any other issues with the current regulatory framework for charging?	41
22.	Do you agree with keeping the current regulatory framework but improving it by: <ul style="list-style-type: none"> – making the basis for charging simple, consistent and cost reflective – giving FRNSW more flexibility around charging – including a cost index in the FB Regulation to enable FRNSW to update its charges periodically? If not, why not?	45

23.	Do you agree with our proposed approach of using a single, externally published index as a cost index for adjusting FRNSW's charges? If not, why not?	45
24.	Do you agree with our proposed approach of using the Consumer Price Index for Sydney to update FRNSW's charges? If not, why not?	45

2 Overview of Fire and Rescue NSW

Fire and Rescue NSW (FRNSW) is the State Government agency responsible for providing fire, rescue and hazardous materials (hazmat) services in cities and towns across NSW. FRNSW is also responsible for fire prevention and safety in buildings through planning advice, approvals and inspections, automatic fire alarm (AFA) management, training and community education.

FRNSW has a network of 335 fire stations across NSW with a fleet of 705 fire fighting vehicles. In 2019-20, it had 6,842 firefighters (full- and part-time), approximately 4,797 Community Fire Unit Members and 481 administration and trades staff.¹

As context for our review, the sections below provide an overview of:

- FRNSW's area of operations, services and customers
- FRNSW's current charges including how the charges were set and charging practice for similar services in other jurisdictions
- FRNSW's costs and revenue.

Appendix B provides a full list of FRNSW's services, while Appendix C provides fees and charges for each service.

2.1 FRNSW operates throughout NSW

FRNSW is responsible for responding to emergencies involving fire, and other dangerous situations like motor vehicle accidents, in prescribed 'fire districts', shown in Figure 2.1. While FRNSW's fire districts represent less than 5% of the state by area, they house 90% of the state's population.

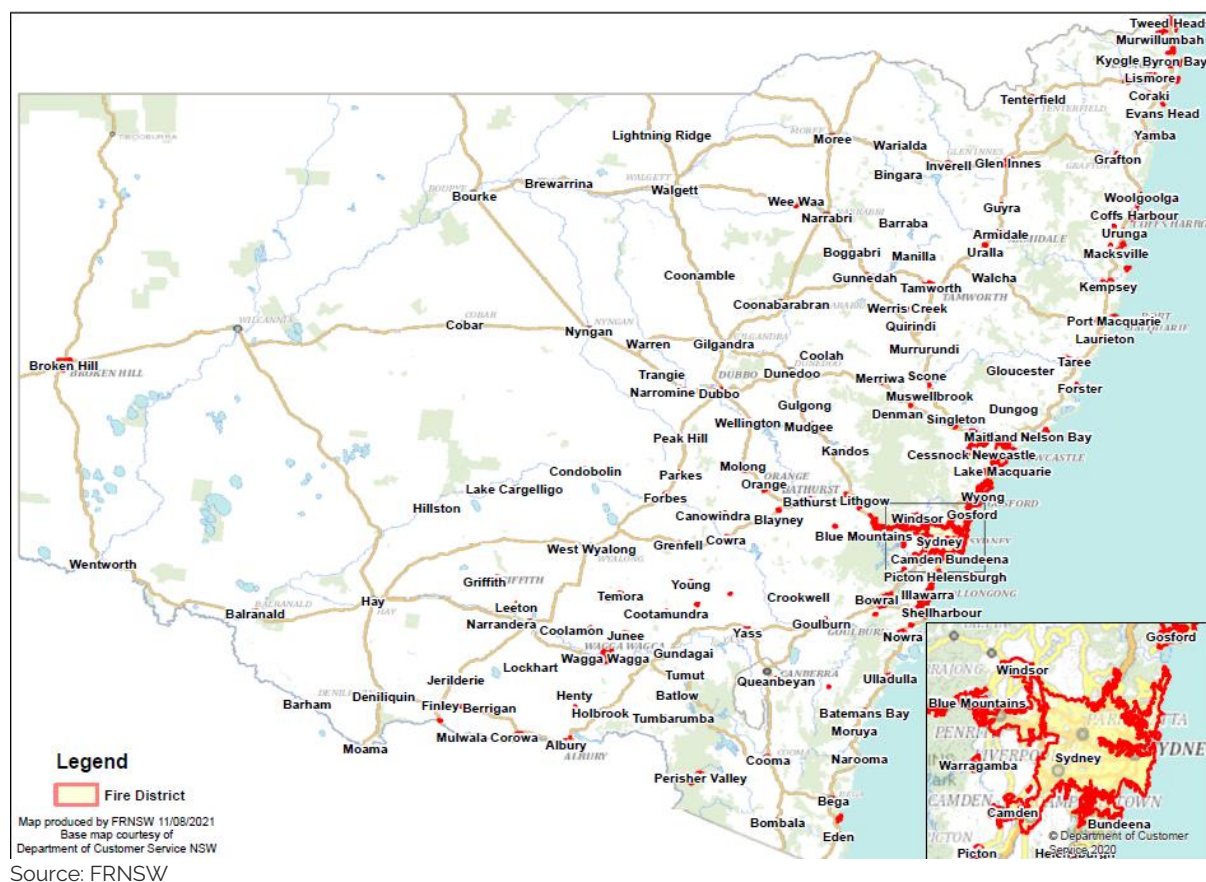
The Rural Fire Service of NSW has responsibility for responding to fires and motor vehicle accidents outside FRNSW's fire districts, but FRNSW may also respond to these as required.

FRNSW serves the entire state in other roles such as:

- attending hazardous materials incidents
- building collapse and terrorism management
- providing fire safety services including inspections and fire safety reports.

FRNSW services may also be provided interstate and overseas during major emergencies.

Figure 2.1 Location of FRNSW's fire districts



2.2 FRNSW provides various services beyond attending fires and rescues

Most people would be familiar with FRNSW's roles in attending and investigating fires, undertaking rescue operations, and providing community safety preparedness and engagement services. These roles are funded through an Emergency Services Levy (ESL) (see section 2.4.1). This review is not examining the ESL.

FRNSW also:

- attends incidents involving hazardous materials, to make them safe and investigate causes^a
- advises on and approves fire safety provisions in building developments. This includes conducting compliance inspections, providing fire safety reports, attending fire safety meetings; or any other service as required to meet statutory fire safety requirements.
- conducts fire safety inspections required by maritime leases
- provides training and consulting services.

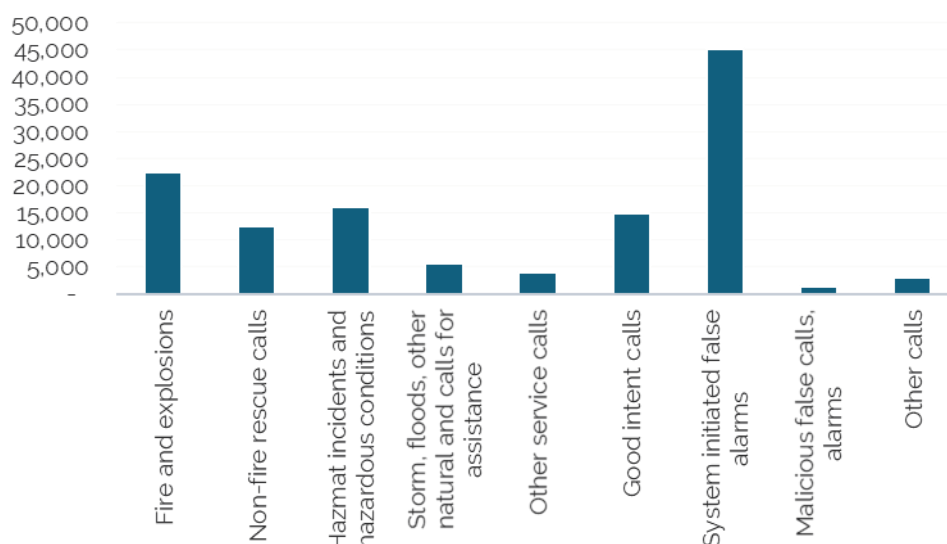
^a Hazardous materials incidents include chemical spills and leaks, offshore spills, illicit drug laboratories, fallen electricity wires.

- assists other emergency services and State and Federal agencies, including the Rural Fire Service, Ambulance NSW, Police NSW, and the Australian Defence Force
- manages AFAs with contracted providers, including connections and testing
- attends major events and provides services for media productions
- provides numerous other services.

Some of these services currently have user charges and others do not. We are reviewing the fees and charges for these services, including assessing whether or not user charges should be applied. Chapter 4 provides a detailed description of each of these services.

The majority of FRNSW operations is to attend and be available to attend calls for community assistance. Figure 2.2 below provides a snapshot of FRNSW's call-out activities, based on incidents attended in the 5 years to 2019-20.

Figure 2.2 FRNSW call-out incidents, by type, 5- year average to 2019-20



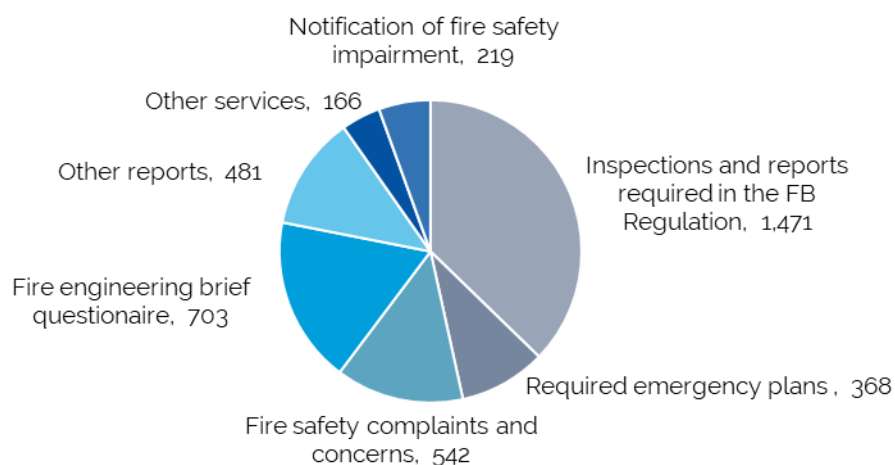
Note: This data shows the primary response to each incident. The primary response is the first unit that attends and is required to report it. In Sydney, Wollongong, and Newcastle, there are at least 2 units at each incident.

Note: We have used the latest information available in the chart. We will use more current information for our analysis as it becomes available.

Source: FRNSW, [Annual Reports](#), 2015-16 to 2019-20, appendix 17.

Many of the services we are reviewing are separate to call-out services. Figure 2.3 shows the number of non call-out activities FRNSW received in 2020-21. In addition, FRNSW undertakes community safety preparedness and engagement activities.²

Figure 2.3 Summary of other non call-out activities in 2020-21



Note: This includes activities that may not be completed, e.g. if a request for a report or inspection is withdrawn.

Source: FRNSW

2.3 FRNSW serves a broad stakeholder group

There is a broad stakeholder group that receives services from FRNSW, including:

- building planning and consent authorities, and principal certifying authorities
- NSW Government and major infrastructure projects
- building developers, who must obtain certain fire safety approvals
- local government
- fire safety engineers and other consultants
- automatic fire alarm service providers (AFASPs) in the connection and management of AFAs and false-alarm callout charges. AFASPs work with building managers on false-alarm callout charge waivers and reducing false alarm occurrence. There are 3 AFASPs in NSW.
- building owners and managers, especially regarding false alarm charges and reducing false alarms
- businesses that deal with hazardous materials, including vessels located in State waters^b
- owners of property outside of the prescribed fire districts, as they can be charged for services if FRNSW attends a fire
- organisers of large events, including music festivals, sports events and film and stage events
- electricity network operators regarding fallen electricity wires.

^b A hazmat incident on State waters is the responsibility of Roads and Maritime Services NSW (RMS) or the relevant port authority. FRNSW may be called on to assist. Fire and rescue NSW, [Hazardous Material Incidents Charging Policy](#), p 4.

In addition, FRNSW assists other Government agencies, in particular other emergency services, such as the NSW Rural Fire Service, NSW Ambulance, the NSW Police, the NSW State Emergency Service. It also works with the Volunteer Rescue Association NSW (VRA), and the NSW Environment Protection Authority.

2.4 FRNSW's revenue from charges is a small part of its total revenue

FRNSW has reported 5-year average annual revenue of \$791 million (\$2020-21). This revenue is made up of funding from the ESL, revenue from fees and charges; and funding from grants and other sources.

2.4.1 Revenue from Emergency Services Levy (ESL)

Close to 90% of FRNSW's revenue comes from the ESL (ranging from 87% to 90% annually in the last 5 years).

The ESL funds the annual costs of FRNSW, the Rural Fire Service, and the State Emergency Service. The ESL is funded by³:

- insurers of property located in NSW (73.7%)
- local government, if there is a station located in their 'fire district' (11.7%)
- NSW Treasury (14.6%).

This revenue source is not part of our review. The remainder of the funding comes from fees and charges discussed below (around 7%), and other miscellaneous sources (around 3%) such as an annual Federal Government Grant.

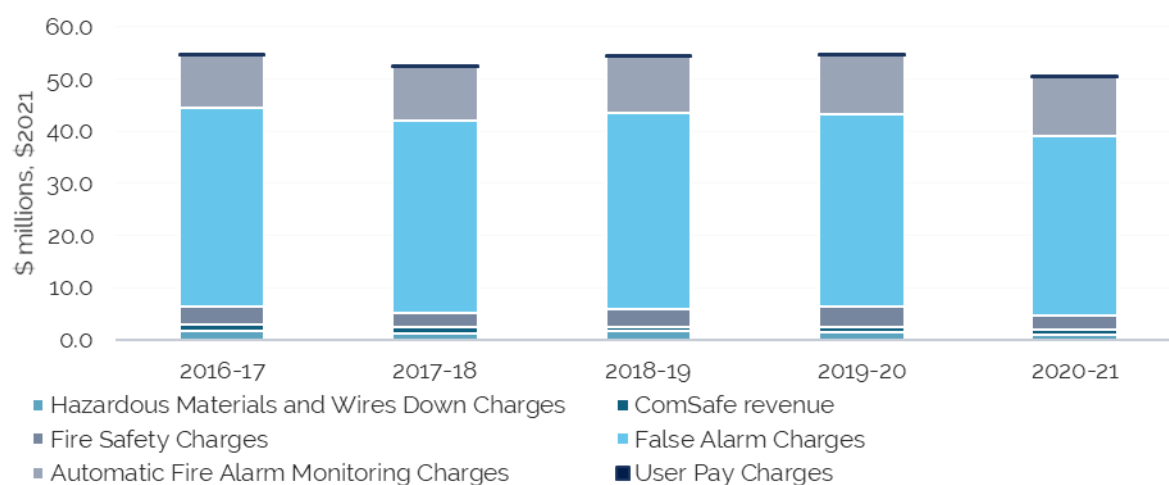
2.4.2 Revenue from fees and charges

The fees and charges we are looking at contribute around 7% of total revenue each year, totalling between \$50 million and \$55 million a year in the last 5 years.

Fees levied for attending false alarms make up the largest proportion of this, averaging \$36.8 million a year, followed by AFA monitoring charges at \$10.7 million a year on average. Charges for statutory fire safety work (e.g. reports and inspections for development) and attending hazmat incidents are the next largest contributors, at \$3.2 million and \$1.4 million respectively (5-year annual average).

Figure 2.4 below shows the annual revenue by service category.

Figure 2.4 Annual self-generated revenue (\$2020-21, millions)



Source: FRNSW, ABS CPI index, Sydney

2.5 FRNSW's charges vary across different types of services

The *Fire and Rescue NSW Act 1989* (the Act) authorises FRNSW to impose charges for certain services in the following ways:

- For attending a fire outside a fire district or attending a hazardous material incident⁴ FRNSW can recover "charges not exceeding the prescribed charges".⁵
- For some listed services, such as inspecting premises or inspecting or testing equipment; providing advice or reports concerning fire prevention or protection; training or responding to false alarms, FRNSW may impose the charge prescribed by the regulations.⁶ If regulations do not specify charges, FRNSW can impose such charges as it thinks fit.⁷
- As well as the listed services in the Act, FRNSW may charge for performing any other service specified in the regulations.⁸ Currently, regulations specify no other services.
- In some cases, such as the conduct of training courses, FRNSW has discretion to determine the charges if regulations do not prescribe charges.⁹
- FRNSW may also negotiate charges for its automatic fire alarm (AFA) services.¹⁰

Most of FRNSW's user charges are set out in the *Fire Brigades Regulation 2014* (FB Regulation), with other charges set through agreements such as with the AFA service providers. FRNSW also has published policies relating to charges, including its Hazardous Material Incidents Charging Policy¹¹ and Fire Safety Charging Policy¹². The charges are set in different ways with a mix of fixed and variable methods, summarised in Table 2.1.

Table 2.1 Summary of types of charges

Service	Type of charge
Attending a fire in a fire district	No charge.
Attending a hazmat incident	No charge if attendance is less than 1 hour. Otherwise:

Service	Type of charge
	<ul style="list-style-type: none"> variable charges (half-hourly) for different items of equipment used or made available for use. at cost for goods or services hired or purchased, or premises hired, to perform services at cost plus 10% handling costs for consumables
Attend a fire outside the fire district	<p>No maximum charges are currently prescribed by regulations. Charges must not exceed 20% of the value before the fire of the property (or a maximum charge if one is set).</p> <p>FRNSW has indicated it does not charge for this service.</p>
Statutory fire safety reports and inspections	<p>Multiple variable charges, on different bases:</p> <ul style="list-style-type: none"> pro rata to the estimated cost of a development for the provisions of an initial fire safety report hourly rate for inspections for final safety reports, set for the first 2 hours with hourly increments thereafter set fee for each assessment of a Building Code of Australia Category 2 fire safety provision hourly rate for attendance at a fire safety meeting in connection with a development or proposed development daily rate for additional advisory services related to State significant infrastructure, Crown building work and other development.
Attending a false alarm	<p>No charge for the first false alarm in a 60-day period; or the 2nd and subsequent false alarm in a 24 hour period. Some false alarms are also not charged where the cause of the false alarm is outside the control of the owner/occupier of the premises.</p> <p>Otherwise, there is a fixed rate of \$1,600. FRNSW can waive all or part of an alarm charge, including, for example, where there is evidence that steps have been taken to reduce future false alarms.¹³ In 2020-21, around 2.4% of charges were waived.</p>
Other services	<ul style="list-style-type: none"> hourly rate for 11 different ranks of staff at cost for goods or services hired or purchased, or premises hired, to perform the services consumables at cost plus 10% handling costs
Automatic fire alarm (AFA) management	<p>Set by contracts with AFA service providers.</p> <p>Mostly fixed fee per event, such as application for connection.</p>
Services to other agencies (other than those described above)	<p>For most services, no charge is levied.</p> <p>FRNSW bills some agencies for shared administrative duties such as call-taking and dispatch.</p>

Other jurisdictions have different charging practices, for instance:

- For false alarm attendance, Victoria charges per 15 minutes that a fire unit is away from the station; while South Australia has 3 charges for different types of development based on risk.¹⁴
- For hazmat incidents, Victoria charges per 15 minutes that a fire unit is away from the station plus some additional costs.¹⁵
- For some inspections and tests South Australia and the Australian Capital Territory (ACT) have set fees per service; Tasmania and the ACT have set fees for some reports.¹⁶

We are considering price structures as part of this review. More information is in Chapter 5.

2.6 FRNSW's costs are mostly operational

In setting charges, we will consider the cost to FRNSW in providing those services.

The sections below provide an overview of FRNSW's total costs.

2.6.1 Operating costs make up most of FRNSW's expenses

FRNSW's average annual operating costs over the last 5 years were around \$764 million. Its capital expenditure was comparatively small, averaging \$58 million a year.

Labour is the biggest individual expense

Annual labour costs were \$649 million (in \$2020-21) on average over the 5 years to 2020-21, or 85% of total operating expenditure.

FRNSW has over 7,000 staff. Most of these are fire fighters, with around 500 classified as executive, administration and trades staff. Over the past 5 years, there has been minimal change to overall staff numbers (0.5% increase). Table 2.2 shows the staff numbers in 2019-20.

Table 2.2 FRNSW staff numbers in 2019-20

Staff type	2019-20
Executive	26
Firefighting staff - full time	3,545
Firefighting staff - part time (retained)	3,297
Administrative & trades staff (FTE)	481
Total	7,349

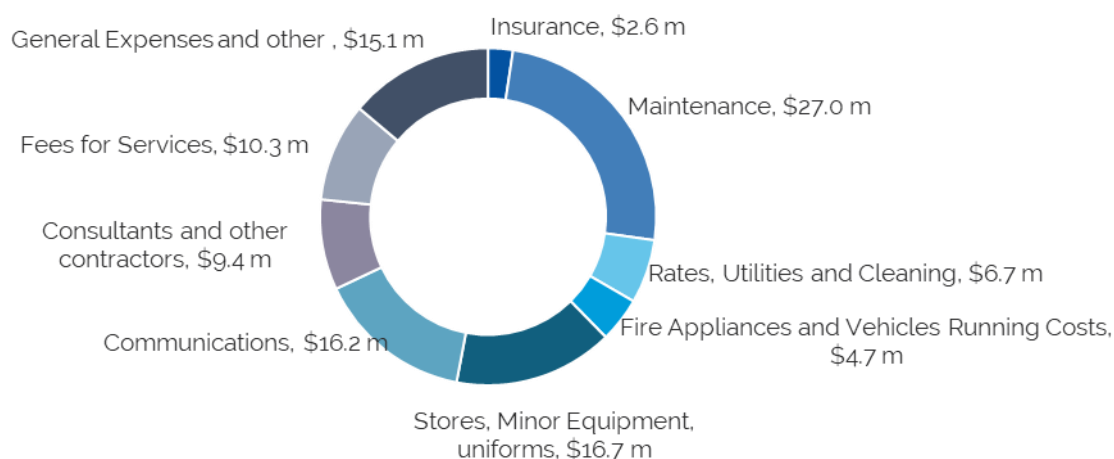
Note: We have used the latest information available in the table. We will use more current information for our analysis as it becomes available.

Source: FRNSW, *Annual Report 2019-20*, p 45.

Other operating costs include items such as maintenance and communications

Other operating costs have averaged \$115 million over the 5 years to 2020-21. These costs are associated with maintenance, vehicle running costs, insurance, communications, equipment and so forth. Figure 2.5 below shows the types of expenses included.

Figure 2.5 FRNSW's annual operating expenses excluding employee related expenses, 5-year average to 2019-20



Source: FRNSW Annual reports, 2015-16 to 2019-20, Financial statements, Note 2(b), ABS, CPI Sydney.

Note: We have used the latest information available in the table. We will use more current information for our analysis as it becomes available.

2.6.2 Capital costs generally cover plant and materials

At June 2020, FRNSW reported it had \$905 million in non-current assets of property, plant and equipment. The majority of this was in land and buildings (\$659 million) such as fire stations, followed by fire appliances^c (\$146 million) and plant and equipment (\$99 million).

Over the 5 years to 2019-20, FRNSW undertook an average of \$58 million in capital expenditure each year, ranging from \$42 million to \$79 million per annum. Major capital expenditure projects are typically:

- land and new stations. In 2019-20, works were proposed, or in progress, at Busby, Kingscliff, Dungog, Muswellbrook, and Ryde, at an estimated total cost of \$22.9 million.
- fire station renovations. In 2019-20, major works were proposed, or in progress, at Wentworth Falls, Manly, and Alexandria, at an estimated total cost of \$12.0 million.
- replacement of fire appliances. This program runs from 2011 to 2023. Total expected cost for the program is \$210.4 million.¹⁷

It also put some major expenditure towards Critical Communications Enhancement Program^d in 2018-19.¹⁸

^c Fire appliances are specialised fire-fighting plant and equipment such as fire engines, as well as some non-specialised vehicles.

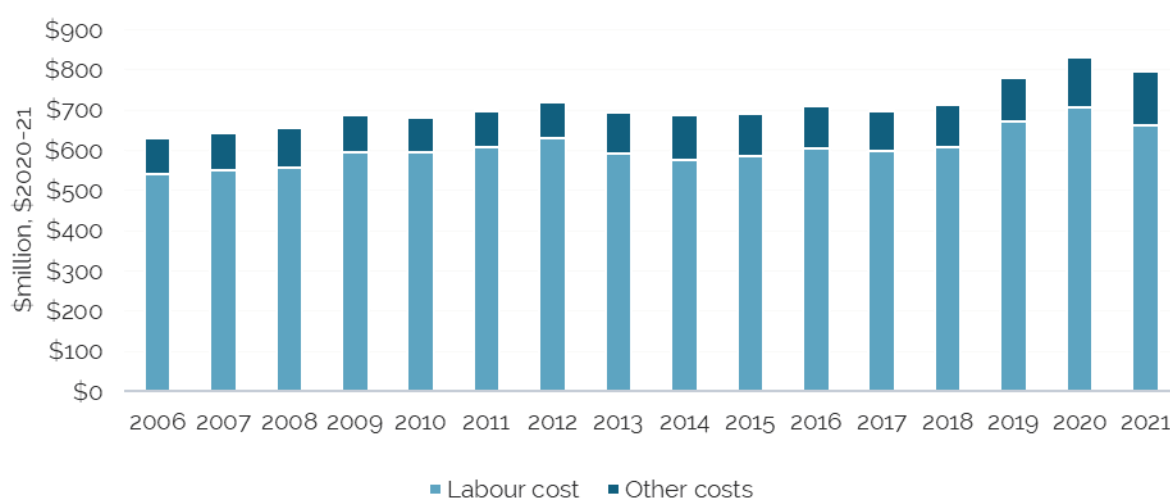
^d This program is primarily being implemented by NSW Telco Authority.

2.6.3 FRNSW's costs have increased over time

Figure 2.6 shows FRNSW's operating costs have increased substantially since 2006. We found that FRNSW's total operating costs have increased by around 26% in real terms. Labour costs have been consistently the largest component in FRNSW's total operating costs, accounting for around 83% to 87%. Therefore, the increase in FRNSW's total operating costs reflect a material increase in labour costs over time.

While FRNSW's overall costs have shown a material increase over time, most of its fees and charges have not changed since they were first set in 2006 (or 2008).

Figure 2.6 FRNSW's operating costs since 2003 (\$2020-21)



Source: FRNSW and ABS.

3 A principles-based approach to setting charges

The first step in our proposed approach is to establish pricing principles to help us decide:

- which of Fire and Rescue NSW (FRNSW)'s services should be subject to user charges
- how to set the user charges.

The sections below discuss proposed key principles for each of these areas.

3.1 We will develop principles to identify services for user charges

In broad terms, the services provided by Government can be funded either through general taxation revenue and/or through some form of full or partial cost recovery arrangement. As a guiding principle, taxpayer funding is appropriate for services with a broad public benefit, where use by one person does not prevent access by others, nor reduce availability to others. However, cost recovery can:

- promote equity by ensuring those who directly use a government activity, rather than the general public, bear its costs.
- improve how resources are allocated, by ensuring that they are allocated to achieve the greatest benefit to the community.

Across a range of industries, IPART has applied the following funding hierarchy when allocating costs between different entities:

- **Preferably, the impactor or risk creator should pay.** That is, those ultimately creating the costs, or the need to incur the costs, should pay the costs.
- **If that is not possible, the beneficiary should pay** (direct beneficiaries before indirect beneficiaries) where users pay charges on the basis of benefiting from the service.
- **As a last resort, taxpayers pay.** Taxpayers may be considered as a funder of last resort where risk creators or beneficiaries have not been clearly identified; or where it is not administratively efficient or practical to charge impactors or beneficiaries.

3.1.1 The Emergency Services Levy funds FRNSW's core services

FRNSW's funding currently includes the Emergency Services Levy (ESL), and user fees and charges for some of its activities as set out in Chapter 2.

Taxpayers, ratepayers via local councils, and property insurers via insurance companies all contribute to the ESL.

This funding model recognises that some of FRNSW's activities (e.g. putting out building fires, and associated fire safety preparedness and community education activities) are most likely to be needed by property owners. In a similar way to insurance, these groups of people pay for FRNSW to be on standby and available to respond to fires, but do not pay if FRNSW has to attend a specific fire.

The ESL also funds FRNSW's rescue activities.

We are not proposing to consider user charges for attending and investigating fires, undertaking rescue operations, or providing community safety preparedness and engagement services.

3.1.2 We propose to consider equity, efficiency and risk mitigation in assessing FRNSW's other services

We propose to identify which of FRNSW's other services should be subject to user charges based on the following principles:

- **Equity** – Where identifiable individuals create specific demand for FRNSW's services, they should pay for them. This includes FRNSW's regulatory activities.
- **Efficiency** – Where charging for a service ensures scarce resources are better allocated, FRNSW should charge for it.
- **Risk mitigation** – Where charging for a service provides an incentive for individuals to mitigate risk, FRNSW should charge for it; and where FRNSW undertakes activities that better mitigate risk, FRNSW should charge for them.

IPART seeks comment on the following



1. Do you agree with the proposed principles – equity, efficiency and risk mitigation – for identifying which of FRNSW's services should be subject to user charges? What other principles, if any, should apply?

3.2 We will recommend which charges should be specified in the regulations

Once we have identified which services should be subject to user charges, the next step in our proposed approach is to identify which of those user charges:

- should be set out in the Fire Brigades Regulation
- can be set at FRNSW's discretion.

In doing so, we consider the key question is whether FRNSW is a monopoly supplier of the service or whether its customers can choose who supplies the service.

In general, we consider that price regulation should apply to services where there is a lack of effective competition. In this situation, regulation should aim to set prices that are similar to those that would exist in a competitive market to protect customers from abuses of market power, and to provide efficiency incentives.

Price regulation is not necessary where effective competition exists, as competition provides more effective customer protection and efficiency incentives. We consider that FRNSW should have maximum flexibility to set and change charges for any services they offer in a competitive market.

Therefore, in deciding which of FRNSW's services should have charges set out in the FB Regulation, we propose to identify whether FRNSW is a monopoly supplier of the service or whether its customers can choose who supplies the service.

IPART seeks comment on the following



2. Do you agree that:

- Only those of FRNSW's user charges which apply to monopoly services should be set out in the Fire Brigades Regulation
- FRNSW should have more flexibility to set and change charges for services they offer in a competitive market?

If not, why not?

3.3 We will develop principles for recommending charges

When recommending charges for those user charges which require regulation, we propose the following principles:

- **Transparent** – Key information about the charges should be readily available, such as the authority to charge, charging rates, and, where relevant, the basis of the charges
- **Cost-reflective** – Charges should reflect the efficient cost of providing the service
- **Equitable** – Charges should be equitable and affordable
- **Create positive incentives** – Where relevant, charges should incentivise risk mitigation
- **Simple** – Charges should be straightforward, practical, easy to understand and collect
- **Flexible** – Charges should be scalable
- **Consistent** – Charges should be consistent between similar activities conducted by FRNSW and consistent with charges for similar activities conducted by other NSW agencies, where relevant.

IPART seeks comment on the following



3. Do you agree with the proposed pricing principles that FRNSW's charges should be transparent, cost-reflective, equitable, creating positive incentives, simple, flexible; and consistent? Should we include any others?

4 Assessment of types of FRNSW's services

Our next step is to identify which Fire and Rescue NSW (FRNSW)'s services should have charges set out in the *Fire Brigades Regulation 2014* (FB Regulation) by:

- assessing FRNSW's services against our principles for applying user charges
- considering how the user charges should be set.

FRNSW's core services - responding to fires within its designated fire districts, community safety preparedness and engagement, and rescues - are funded through the ESL. FRNSW does not charge for these services. They are provided on the basis that they have broad community benefit, or are used by property owners and ratepayers who pay via the ESL. This funding model is not part of our review.

Currently, FRNSW is able to charge users for some of its other services ("non-core" services), including automated fire alarm services, some but not all statutory fire safety activities, and training and consultancy services. It is able to charge for any hazmat incident, but has made the policy decision to charge only when attendance exceeds an hour. Some of these charges are set out in the FB Regulation, but others are not, and are set by negotiation or at market rates.

Based on our initial assessment of FRNSW's non-core services, we have classified them into the following 3 categories:

- **monopoly services**, including regulatory activities, generally prescribed under legislation and many, but not all, with charges set out in the FB Regulation
- **contestable services**, where FRNSW provides a service at the request of an individual or organisation, mostly already subject to user charges; some are set out in the FB Regulation and some not
- **services provided to other agencies and jurisdictions**, which FRNSW may charge for under its legislation, but does not consistently do so; none of these charges are set out in the FB Regulation.

Sections below describe FRNSW's non-core services in each of these categories and provide our preliminary view on whether they should be subject to user charges, and, if so, whether they should have charges set out in the FB Regulation. We seek feedback on those preliminary assessments.

We also seek feedback on how other services should be categorised where we have not yet developed a view.

4.1 FRNSW provides monopoly services

FRNSW is the monopoly provider of a range of services specified in legislation, as outlined in Table 4.1. These services fall into 4 categories, being associated with:

1. hazardous materials (hazmat)
2. responding to fires outside its fire districts

3. fire safety for buildings or other infrastructure
4. automatic fire alarm (AFA) systems.

FRNSW is also the monopoly provider of some fire protection services for major events.

Table 4.1 FRNSW monopoly services for which charges are currently specified

Service	Type of charge
Attend hazmat incident	Fee for service and/or cost recovery
Attend hazmat incident – wires down	Fee for service and/or cost recovery
Respond to fire outside fire districts	Fee for service
Initial fire safety report	Fee for service
Final fire safety report	Fee for service
Fire safety system report	Fee for service
Attendance at a fire safety meeting associated with development	Fee for service
Advisory, assessment or consultancy services for State significant infrastructure, Crown development or other work	Fee for service
Automatic fire alarm (AFA) monitoring services	Fee for service
Responding to an AFA that is a false alarm	Fee for service
Fire protection services – some major events	Fee for service

Our preliminary view is that the services listed in Table 4.1 should continue to have user charges and have charges set out in the FB Regulation, other than services relating to AFA network monitoring arrangements which we consider should continue to be charged under agreements with AFA service providers.

For these services, we can identify a specific individual, organisation or group that receives benefit from or creates the need for them, requiring cost recovery based on the criteria discussed in Chapter 3. Charging for them helps FRNSW mitigate the risk associated with fire in the built environment, and some of the charges incentivise the customer to mitigate risk as well.

FRNSW also conducts other regulatory activities related to infrastructure fire safety and to hazardous materials, including inspection and compliance activities, for which they do not currently charge. These activities potentially should have user charges too.

FRNSW attends hazardous materials incidents for individuals or organisations handling hazardous materials; and electricity transmission and distribution networks. Services in relation to fire safety for buildings or other infrastructure are provided to developers, building certifiers, consent authorities such as councils or the Department of Planning, Industry and Environment, or property owners. Attending false alarms is often triggered by those who fail to do regular assessment, maintenance, and management of alarm systems.

FRNSW is the monopoly provider of these services with most of them being functions of FRNSW specified in legislation. This means these customers cannot choose an alternative provider.

The sections below describe each of these services in detail.

4.1.1 FRNSW has hazardous materials (hazmat) responsibilities

FRNSW must respond to a report of a hazmat incident.¹⁹ A hazmat incident is an actual or impending land-based spillage or other escape of hazardous material^e that causes or threatens to cause injury or death or damage to property.²⁰

FRNSW responds to two types of hazmat incidents, both of which it may charge for:

- incidents involving electricity "wires down", where services are provided to electricity distribution and transmission network service providers
- all other hazmat incidents, where services are provided to individuals, organisations or other government agencies.

In 2019-20, FRNSW attended 9,269 hazmat incidents.

FRNSW also has other responsibilities regarding hazardous materials for which it does not currently charge:

- receiving notifications of radiation gauges and the locations of radiation sources
- consultation and making recommendations about emergency plans for workplaces that handle, use or store hazardous chemicals exceeding a certain quantity, major hazard facilities; and licensed explosives sites.

4.1.2 FRNSW responds to fires outside its fire districts

In addition to responding to fires within its fire districts (see Figure 2.1), FRNSW may respond to fires outside its fire districts. Some of these services are provided at the request of, or to assist, other agencies such as the Rural Fire Service (RFS). FRNSW may charge the owner of the relevant property or vessel for responding to a fire outside its fire districts.

4.1.3 FRNSW provides a range of services related to fire safety in the built environment with charges set out in the FB Regulation

FRNSW is the monopoly provider of the following services related to fire safety in the built environment, with charges set out in the FB Regulation:

- providing an initial fire safety report (prior to issue of a construction certificate)
- providing a final fire safety report (prior to issue of an occupation certificate)
- providing a fire safety system report (prior to issue of an occupation certificate)
- attendance at a fire safety meeting associated with development
- providing advisory, assessment or consultancy services for State significant infrastructure, Crown building or other development work

^e Hazardous material is anything that, when produced, stored, moved, used or otherwise dealt with without adequate safeguards to prevent it from escaping, may cause injury or death or damage to property.

- inspections installed fire safety measures as part of a maritime lease.

Initial fire safety report (IFSR)

A certifier must request an IFSR from FRNSW and consider the IFSR, including any conditions recommended, before issuing a **construction certificate** for certain building works.²¹ FRNSW has discretion as to whether to provide an IFSR.

To provide an IFSR, FRNSW assesses various documents, including the plans and specifications for a building, before construction commences.

The IFSR states whether FRNSW is satisfied that:

- the proposed performance solution will meet the performance requirements of the Building Code of Australia (BCA) it is intended to meet
- fire hydrants will be accessible for use by FRNSW
- hose couplings will be compatible with equipment used by FRNSW.²²

In providing an IFSR, FRNSW may undertake an assessment of BCA Category 2 fire safety provision, where relevant. A separate fee applies for each BCA Category 2 assessment.²³

In 2019-20, FRNSW issued 69 IFSRs. Between 2017-18 and 2020-21, FRNSW issued an average of 49 IFSRs each year.

Final fire safety report (FFSR)

A certifier must request a FFSR from FRNSW and consider the FFSR before issuing an **occupation certificate** for building works for which a IFSR has been provided.²⁴ FRNSW has discretion as to whether to provide a FFSR.

To provide a FFSR, FRNSW conducts an inspection of the building works at the completion of construction and prior to occupation. FRNSW will also check recommendations from an IFSR and will review other relevant documentation submitted by the certifier.²⁵

At a minimum, the FFSR states whether FRNSW is satisfied that:

- that the building work complies with a performance solution for a Category 2 fire safety provision that was the subject of the construction certificate
- fire hydrants are accessible for use by FRNSW
- hose couplings are compatible with equipment used by FRNSW.²⁶

In 2019-20, FRNSW issued 363 FFSRs. Between 2017-18 and 2020-21, FRNSW issued an average of 283 FFSRs each year.

Fire safety system report (FSSR)

A certifier must request a FSSR from FRNSW after receiving an application for an **occupation certificate** for a class 2 or 3 building for building work, as defined in the Building Code of Australia, that involved installing, extending or modifying a relevant fire safety system in the building.²⁷ The certifier must consider a FSSR before issuing an occupation certificate. FRNSW has discretion as to whether to provide a FSSR.

To provide a FSSR, FRNSW conducts an inspection and function and performance testing of the fire safety system. FRNSW will also review relevant documentation.²⁸

A FSSR states whether or not the Fire Commissioner is satisfied that the fire safety system for a building is capable of performing to at least the standard in the current fire safety schedule for the building. Fire safety systems can include:

- a hydraulic fire safety system, including a fire hydrant system, a fire hose reel system, a sprinkler system, or any automatic fire suppression system of a hydraulic nature
- a fire detection and alarm system
- a mechanical ducted smoke control system.²⁹

In 2019-20, FRNSW issued 139 FSSRs. Between 2017-18 and 2020-21, FRNSW issued an average of 106 FSSRs each year.

Attendance at a fire safety meeting associated with development

Anyone may request a meeting with FRNSW on any fire safety matter associated with development or proposed development, subject to the discretion of FRNSW.

Where appropriate, FRNSW can provide advice at a meeting. FRNSW will only provide advice during the meeting and no formal (i.e. written) assessment is provided on the matter. A meeting does not substitute for any formal assessment or consultancy service on statutory fire safety.

In 2019-20, FRNSW attended 84 fire safety meetings. Between 2017-18 and 2020-21, FRNSW attended an average of 58 fire safety meetings each year.

Providing advisory, assessment or consultancy services for State significant infrastructure, Crown building or other development work

FRNSW can provide advisory, assessment or consultancy services for State significant infrastructure, Crown building work or any other development. A written report from FRNSW may be required as a condition imposed by a consent or regulatory authority (i.e. it is mandatory), or the report may be voluntarily requested by a stakeholder (such as an engineer, consultant or certifier) for the proposed works. Voluntary requests for these services from FRNSW are often related to subsequent statutory fire safety services. In these circumstances FRNSW is effectively a monopoly provider of the service.

Table 4.2 outlines the types of situation in which FRNSW provides these services. In 2019-20, FRNSW provided 774 advisory, assessment or consultancy services.

Table 4.2 Types of situation where FRNSW provides advisory, assessment or consultancy services

Purpose	Situation	Applicant
Performance-based design brief (Fire engineering brief) consultation	FRNSW consulted as a stakeholder during preparation of performance-based design brief for a performance solution.	Development proponent or consultant
Exemption from fire safety standards	Applicant lodges an objection with FRNSW that compliance with a Category 3 fire safety provision is unreasonable or unnecessary. FRNSW may grant an exemption, conditionally or unconditionally.	Development proponent or consultant
Certifier condition	A condition has been imposed on the certifier by NSW Fair Trading requiring FRNSW advice	Certifier
Condition of consent	A condition has been imposed by a Minister on any State significant infrastructure or Crown building work, requiring FRNSW advice	Certifier
Fire safety study	A condition has been imposed by the consent authority to undertake a fire safety study and submit it to FRNSW for approval or acceptance	Certifier, development proponent or consultant
Environmental impact statement	An environmental impact statement has been issued and FRNSW has been invited to make comment during the exhibition period	Consent authority (eg, DPIE or council)
Other	A report from FRNSW has been requested, including voluntarily by a stakeholder acting with the consent of an owner	Property owner or their representative, consultant or certifier
Other	Advice from FRNSW has been requested in relation to combustible cladding	Property owner, consultant or council

Inspections of installed fire safety measures as part of a maritime lease

Marinas and waterfront facilities may be leased from land that is owned and administered by NSW Roads and Maritime Services (RMS). Commercial and community leases with RMS exist in Sydney Harbour, Botany Bay, Newcastle Harbour and Port Kembla Harbour. As a condition of the lease agreement, the owner or operator may be required to have the fire safety measures inspected by FRNSW to retain and renew the lease agreement.

A maritime lease inspection is carried out by a minimum of two staff who assess whether the installed fire safety measures are adequate and/or being properly maintained.

FRNSW provides a written inspection report, including findings and recommendations.

4.1.4 FRNSW provides a range of services related to fire safety in the built environment for which it does not currently charge

FRNSW is the monopoly provider of the following services related to fire safety in the built environment, but does not currently charge for them:

- providing comment to consent and regulatory authorities on a fire safety matter, development condition, compliance issue or order applying to an occupied building
- assessing fire safety complaints relating to buildings or structures
- compliance audits of fire safety
- undertaking joint inspections with councils or consent authorities of the fire safety provisions of an occupied building
- advisory, compliance and inspection services conducted through Government programs such as the Overcrowding Taskforce, Cladding Taskforce and Project Remediate.

Many of these services and responsibilities are related to FRNSW's other regulatory services to ensure community and firefighter safety in the built environment.

4.1.5 FRNSW provides services under AFA alarm network service arrangements

FRNSW has a statutory obligation to attend to all alarms of fire.³⁰

It enters into arrangements with Automatic Fire Alarm Service Providers (AFASPs) for the installation and maintenance of fire alarm links between fire brigade premises and other premises. These arrangements are known as AFA network service arrangements. FRNSW charges for the following services provided under these arrangements:

- initial connection of an applicant AFASP to the FRNSW AFA system
- ongoing maintenance of an AFASP's FRNSW AFA /Emergency Services Computer Aided Dispatch database and communication system interface
- AFASP communication system interface testing
- connection of an AFA
- ongoing monitoring of an AFA
- transfer of AFAs between AFASPs
- responding to an automatic false alarm that is subsequently deemed to be a false alarm.

There are 3 approved AFASPs that are contracted to FRNSW. FRNSW invoices the AFASP, which in turn invoices its customers, typically building owners or managers.

FRNSW notes that AFA systems are a crucial component in fire detection for buildings and are designed to alert occupants and initiate quick responses by FRNSW in the case of fires. AFA systems are required for some premises under NSW building legislation, as prescribed by the National Construction Code.³¹

FRNSW responded to approximately 47,000 AFAs in 2020-21, with 97.6% of these alarms being considered false alarms. False alarms are when FRNSW attends in response to an alarm where there is no fire or other emergency. In 2020-21, attendance to AFAs represented around 38% of all FRNSW responses.

As at 30 June 2021, FRNSW had 17,055 connected AFAs (for which monitoring fees are charged monthly). In 2020-21, FRNSW processed approximately 748 new applications and reinstatements for AFAs and completed approximately 150 applications for transfers between AFASPs.

IPART seeks comment on the following

4. Which of FRNSW's services related to fire safety in the built environment should have user charges? Which of FRNSW's services related to hazardous materials should have user charges?
5. Have we identified all FRNSW's non-core services? Non-core services include FRNSW's services other than responding to fires within its designated fire districts; community safety preparedness and engagement; and rescues.
6. Do the following 3 categories accurately and appropriately reflect FRNSW's non-core services? Have we classified FRNSW's services into the 3 categories correctly?
 - monopoly services
 - contestable services
 - services provided to other agencies and jurisdictions.
7. Have we identified FRNSW's monopoly services correctly? Are there any other of FRNSW's services that we should classify as monopoly services?

4.2 FRNSW provides contestable services on request

FRNSW provides the following contestable services, on request:

- training
- provision of emergency plans and diagrams
- providing equipment, personnel and some services for media productions where there are other potential providers
- attendance at major and special events where there are other potential providers.

Our preliminary view is that the services above should be user charged as there is a specific group of customers who receive them, for example premises or organisations requiring workplace emergency response training.

However, FRNSW is not the monopoly providers of these services - customers can choose to engage FRNSW or other service providers in the market. On this basis, our preliminary view is that charges for these services do not need to be set out in the FB Regulation.

The sections below describe each of these services in detail.

4.2.1 FRNSW (ComSafe) provides training and other services that are contestable

FRNSW's business, ComSafe Training Services, is a registered training provider (RTO). It provides a range of accredited and non-accredited training courses, as outlined in . In 2019-20, ComSafe delivered training courses to 5,474 people.

Table 4.3 ComSafe training courses

Accredited training	Non-accredited programs
Work safely at heights	Healthcare – wardens & first attack firefighting
Emergency response team member	Experience: firefighter for a day
Breathing apparatus	Emergency evacuation drill
Enter and work in confined spaces	Wardens and first attack firefighting
Confined space with BA & Rescue	Emergency control organisation warden
Confine small emergencies in a facility	Hazardous chemical spills
Operate as part of an emergency control organisation	First attack firefighting
Fire safety officer	
Fire safety manager	
Wildfire	

Source: [Comsafe Website](#)

ComSafe also develops emergency evacuation plans and diagrams for buildings, at the request of a building owner or manager.

4.2.2 FRNSW provides other contestable services on request

FRNSW provides other contestable services on request, such as providing equipment, personnel and some services for media productions where there are other potential providers.

IPART seeks comment on the following



8. Have we identified FRNSW's contestable services correctly? Are there any other FRNSW's services that we should classify as contestable services?

4.3 FRNSW provides services to other agencies and jurisdictions

FRNSW provides a range of services to other NSW Government agencies and to other States and Territories. FRNSW has cost-recovery arrangements for some of these services; however, it does not recover its costs for providing most of these services.

Consistent with the current arrangement, our preliminary view is that services provided by FRNSW to other agencies and jurisdictions should be subject to cost recovery, as there are clear beneficiaries of FRNSW's services, such as Rural Fire Service (RFS), State Emergency Service (SES), Ambulance NSW and the Office of the Director of Public Prosecutions.

As to whether these services should have charges set out in the FB Regulation, we consider where an agency has the option of providing a service itself or procuring it from providers other than FRNSW, they do not require charges to be set out in the Regulation based on our principles discussed in Chapter 3. Examples of such services include, but are not limited to, call taking and dispatch services and sharing business processes and applications.

However, where FRNSW is the monopoly provider of services, for example providing expert witness services that relate to FRNSW's core services (e.g. investigation of the cause of a fire), the services should have charges set out in the FB Regulation.

4.3.1 FRNSW provides services to some agencies under fee for service and cost-recovery arrangements

FRNSW has an administrative arrangement with the Rural Fire Service (RFS) and State Emergency Service (SES) to provide:

- shared services, including SAP business operations support and SAP hosting
- call taking and dispatch services.

FRNSW also provides access to its Emergency Services Academy in Western Sydney for Commonwealth and NSW Government agencies on a fee for service and cost recovery basis.³²

4.3.2 FRNSW does not recover the cost of providing services to some agencies and other jurisdictions

FRNSW provides services to other agencies for which it does not recover its costs. These include:

- providing assistance to Ambulance NSW
- appearing as an expert witness and providing advice for legal proceedings, at the request of the NSW Office of the Director of Public Prosecutions (ODPP).

FRNSW also provides reciprocal assistance to other States and Territories at their request, in response to natural disasters. FRNSW advised that while it is able to access funding from the National Disaster Fund to recoup some of its costs for providing this assistance, this funding does not cover FRNSW's costs.

IPART seeks comment on the following



9. Which services provided to other agencies and jurisdictions should be user charged? Should those charges be set out in the Fire Brigades Regulation?

4.4 FRNSW provides other services for which it does not currently routinely charge

FRNSW provides a range of services to councils, consent authorities, community groups, businesses and individuals for which it does not charge or does not routinely charge.

These services include:

- responding to requests for information about incidents, including from individuals and insurers
- attendance at community events such as fetes and fun runs
- assisting with lift extractions
- assisting with reptile handling
- providing assistance with Remote Piloted Aircraft Systems (drones).

We are interested in your views on how our proposed principles for identifying services for user charges and price regulation should apply to these services.

IPART seeks comment on the following



10. How should we classify these other services into the three categories of FRNSW's services (i.e. monopoly services; contestable services; services provided to other agencies and jurisdictions)? Also, should any of these services be subject to user charges and have charges set out in the Regulation?

5 Pricing methodology for FRNSW's services

In the third step of our proposed approach, we will decide what methodology we should use to recommend charges for Fire and Rescue NSW (FRNSW)'s services. We will then apply this method to recommend a pricing framework to recover the efficient costs of those services. To do this, we will consider:

- What 'form' of price regulation is appropriate for FRNSW's services
- How many years we will be setting charges for those services
- What costs FRNSW should recover from charges and what approach we should use to estimate the efficient level of these costs.

As required by our terms of reference, we will also assess various options for the price structure or pricing mechanism for FRNSW's services.

We discuss each of these matters below, including our preliminary thinking and the issues we are seeking your comment on.

5.1 We propose to recommend charges and indexing methodology

When we review prices for the first time, we propose the most appropriate 'form of regulation', which is a set of methods used to establish regulated prices initially and to adjust prices over time. These methods can differ in terms of how we assess costs and control prices, and the extent different methods contribute to improving efficiency or promoting competition.

We considered two forms of regulation for FRNSW as listed below:

- **Recommending charges for each year** – That is, recommending charges for the individual services FRNSW provides for each year.
- **Recommending charges for the initial year and indexing thereafter** – That is, recommending charges for the individual services for the first year, and updating these charges by the change in an index (such as the Consumer Price Index (CPI) or an industry-specific index) in each year thereafter.

At this stage, we do not consider it necessary to recommend charges for each year. Instead, we propose to recommend charges for the first year and index them thereafter. This is because FRNSW's operating costs account for the majority of the total costs, and cost drivers are easily identifiable.

Using an indexation approach implies FRNSW costs are likely to vary in line with the proposed index. It also allows charges to continue to be adjusted periodically beyond the period for which we recommend charges in this review.

IPART seeks comment on the following



11. Do you agree with our proposed approach of recommending charges for the first year and adjusting charges based on a cost index? If not, do you think we should recommend charges for each year? If so, why?

5.2 We propose to recommend charges for 5 years

Once we decide on the form of regulation, we need to establish the period for which we will be recommending charges for FRNSW's services. We propose to recommend charges for 5 years, between 2022-23 and 2026-27.

There are advantages and disadvantages of recommending charges for a longer period. For example, it would provide greater stability and predictability in fees and charges for FRNSW's services. However, it would also increase risk associated with inaccuracies in the forecast data we used to recommend these charges, and the risk that changes in the industry, if any, will impact the effectiveness of our recommendations.

In our view, recommending charges for 5 years provides a reasonable balance between these competing factors and is similar to the pricing period we use in other industries.

Setting charges for 5 years from 2022-23 to 2026-27 also ensures consistency with the automatic repeal of the *Fire Brigades Regulation 2014* (FB Regulation). Assuming the new regulation comes into effect on 1 September 2022, it would be automatically repealed on 1 September 2027.

IPART seeks comment on the following



12. Do you agree with recommending charges for five years? If not, what time period do you prefer and why?

5.3 We propose to use cost build-up approach

The next step in our proposed approach is to decide on an approach to estimating the efficient costs of delivering FRNSW's services.

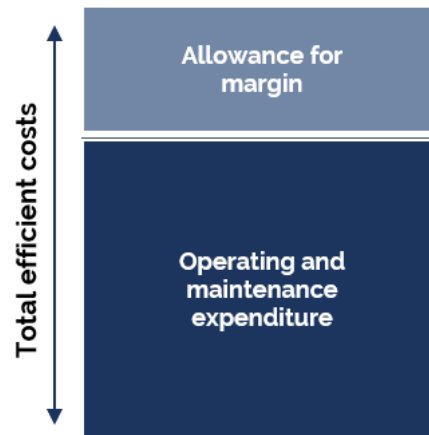
Our proposed approach to setting charges, which will be set out in the FB Regulation, requires establishing an efficient cost base for 2022-23. We propose to use a 'cost build-up' approach to estimate total efficient costs (see Figure 5.1).

In many industries where we regulate prices, we use a 'building block' method to estimate how much revenue the business needs to generate from prices over the determination period to recover the efficient costs of providing the regulated services to the required standard. We typically use this method for capital intensive industries such as water or transport.

For FRNSW, we consider the cost build-up approach is more appropriate as FRNSW does not own substantial assets. The cost build-up method involves the following:

- estimating the efficient operating and maintenance costs of providing FRNSW's services
- allowing for an efficient margin.

Figure 5.1 Cost build up method



Note: Proportions are illustrative only.

Sections below provide our proposed approach for estimating these two components.

5.3.1 We propose to include only efficient operating costs

The allowance for operating and maintenance costs reflects our view of the efficient level of operating costs a business would incur in providing its services over the review period.

Operating costs commonly include labour costs (i.e. salaries), utilities and communication costs, and administration costs (e.g. rent, training, insurance). Some of the cost items would be specific to FRNSW. For example, FRNSW incur additional operating costs including, but not limited to, uniforms/protective clothing or maintenance costs for fire appliances.

We will include only efficient costs in the allowance for operating expenditure. Efficient costs represent what an efficient service provider would incur in providing the services at the quantity and level demanded by the industry.

To form a view on efficient operating costs for FRNSW's services:

- We will analyse information provided by FRNSW on its historical and projected operating expenditure.
- We will perform a benchmarking analysis of comparable fire and rescue services in other jurisdictions.
- We will engage an external consultant to assess the efficiency of FRNSW's actual operating costs and the level of efficient forecast operating costs over the review period.

5.3.2 We propose to include a margin allowance

The purpose of a margin allowance is to compensate FRNSW for committing capital investment. The margin required to attract capital depends on the level of market (or systematic) risk FRNSW faces in providing its services.

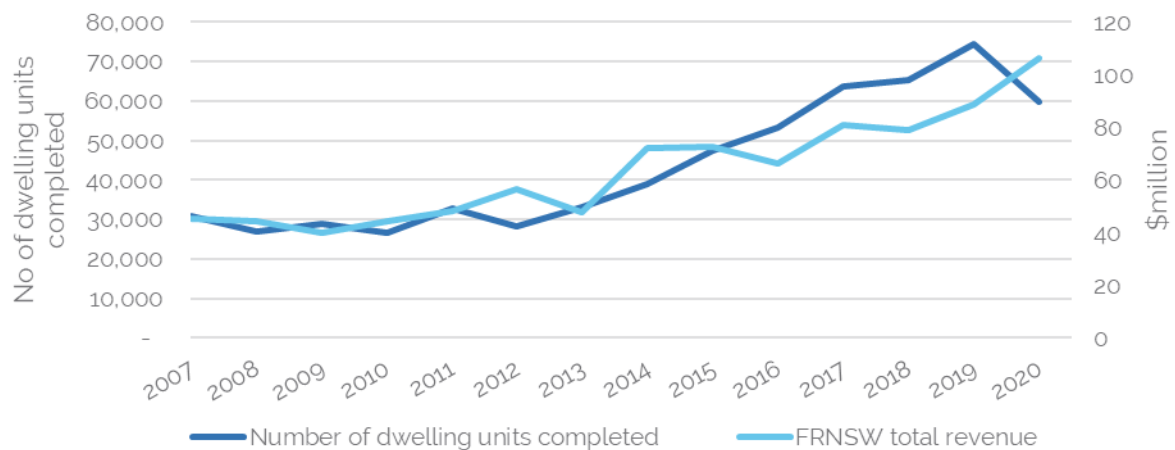
One way of establishing a reasonable margin allowance would be to benchmark it to comparable listed companies that share similar characteristics to FRNSW and face similar market risk. For our review, this type of traditional proxy analysis is unlikely to produce relevant estimates of margin as there are no listed fire and emergency response businesses in the market.

Alternatively, we are considering looking at the construction industry. This is because the types of FRNSW's activities for which we are recommending charges relate more to building safety planning and management (e.g. fire safety inspections, fire safety report preparation, fire safety assessment). Hence it would be reasonable to expect that FRNSW's revenue from those activities would likely be correlated with the level of building activity.

Figure 5.2 shows changes in building activity in NSW as measured by the number of dwellings completed, and changes in FRNSW's total revenue. Except for 2020, there seems to be a reasonably high correlation between the level of building activity and FRNSW's total revenue. This suggests that listed companies in the construction industry may be a reasonable proxy for FRNSW.

We are interested in your view on using listed companies in the construction industry as comparable businesses to FRNSW.

Figure 5.2 Building activity in NSW and FRNSW's total revenue since 2007



Source: ABS and FRNSW.

IPART seeks comment on the following

13. Do you agree with our proposed approach of using the cost build-up to estimate the total revenue requirement? If not, which approach do you prefer and why?
14. Do you agree with our proposed approach for estimating efficient operating costs? If not, which approach do you prefer and why?
15. Are there opportunities for FRNSW to provide its non-core services more efficiently? Non-core services include FRNSW's services other than responding to fires within its designated fire districts; community safety preparedness and engagement; and rescues.
16. Do you think the current charges for FRNSW's services (where relevant) reflect the efficient cost of providing them?
17. Do you agree with our proposed approach of including a margin allowance to compensate FRNSW for committing capital investment? If not, which approach do you prefer and why?
18. Do you agree with using listed companies in the construction industry as comparable businesses to FRNSW to estimate a reasonable margin? If not, which industry provides alternative benchmarks?

5.4 We propose to assess various options for charging structures

Once we estimate total efficient costs of providing FRNSW's services and how much revenue it needs to recover through its charges, we propose to consider what price structure(s) or other pricing mechanism it should use.

In general, a price structure affects the total amount an individual customer pays for a product or service and how this amount varies according to factors related to the customer. The price structure or pricing mechanism FRNSW uses will affect how well its charges enable cost recovery and provide the right incentives to FRNSW's customers.

At this stage, we are considering various pricing options such as a fixed charge, a variable charge, a combination of a fixed and variable charge (e.g. call out fee plus a time-based charge, administration fee plus a time-based charge); or charge based on property value. In assessing the options for an appropriate charging structure and recommending charges, we propose to consider the pricing principles discussed in Section 3.3:

- **Transparent** – The basis for the charges is clear, as is the level of the charges.
- **Cost reflective** – An appropriate charging structure results in fees and charges that reflect efficient costs of providing the service considered and provide an appropriate price signal to ensure FRNSW allocates its limited resources to their best uses.

- **Equitable** – An appropriate charging structure should produce fees and charges that are horizontally equitable so those who benefit from FRNSW's activities, or those who contribute to the need for those services have to pay the associated costs. This avoids the situation where taxpayers pay some or all the associated costs regardless of whether they benefit from, or give rise to, the need for FRNSW's services.
- **Create positive incentives** – An appropriate charging structure should result in fees and charges that promote risk mitigation, for example incentivising proper maintenance of automatic fire alarm (AFA) systems to reduce false alarms.
- **Simple** – An appropriate charging structure should result in fees and charges that are simple, easy to understand, and easy to administer
- **Flexible** – An appropriate charging structure should result in fees and charges that are flexible and scalable in that they should be easily applicable to any new activities that FRNSW undertakes in future
- **Consistent** – An appropriate charging structure should result in fees and charges that are consistent across similar activities within FRNSW, and when compared to other NSW agencies, where relevant.

Our preliminary analysis found several issues with FRNSW's existing charging structure. Box 5.1 and Box 5.2 provide examples of these issues.

Box 5.1 Issues with charging structure for statutory fire safety services

The basis for FRNSW's current charges for statutory fire services varies between:

- daily rates
- hourly rates
- fixed and variable fees

It is unclear whether the various charging structures for these services are appropriate for the work involved, and therefore whether they enable FRNSW to recover its costs. It is also unclear whether they provide positive incentives to customers who request these services.

Box 5.2 Issues with charging structure for automatic false alarms

FRNSW currently charges a flat fee of \$1,600 for attending false alarm calls (subject to some exemptions and waivers).

The current flat fee structure does not reflect the cost of providing a service

Resources used to attend AFAs vary. For example:

- The attendance to false alarm calls at a site with many buildings may require more time and resources than at a simple single building site.
- Alternatively, a smaller site deemed high-risk may require a greater response than a larger site deemed low-risk.

The current flat fee structure does not provide incentives to proactively manage automatic false alarm systems

The AFA systems have 3 key stakeholder groups each with different ability to reduce false alarms. FRNSW should levy the charge on the stakeholder best able to make the necessary change to reduce future incidence of false alarms:

- The AFA service provider is responsible for the correct functioning of a system, and liable for false alarm charge if the system is at fault. They receive the charge initially and can pass it on to building management if it is not the system at fault.
- The building manager/owners can make structural change to the type or position of the detector or alarm. For instance, some systems are installed close to bathrooms and are set off by steam from showers. The building manager/owners could move or modify them to reduce false alarms. Building managers also pass the charge on to occupants.
- Occupants can make some behavioural changes to reduce false alarms – such as moving toaster from beneath a detector – but are typically unable to make structural change like relocating the detector.

By passing the charge through to occupants, the occupants may be being penalised for a structural issue that is beyond their ability to amend, while building management avoids an incentive to make the necessary changes. We note FRNSW has explicitly stated it does not support building managers passing on the charge to occupants.

As part of assessing options for an appropriate charging structure, we propose to consider the methods used in other jurisdictions. Different jurisdictions have adopted different charging structures.

For instance, for false alarm attendance, Victoria charges per 15 minutes that a fire unit is away from the station, while South Australia has 3 charges for different types of development based on risk.³³ Queensland charges a set fee of \$1,373.95, while the ACT charges different flat fees of \$285 and \$1,421 for residential and commercial properties, respectively.³⁴

For some inspections and consulting services, Victoria charges a set fee for first hour, and per 15 mins thereafter.³⁵ South Australia has set fees mostly for inspections and test, but also have hourly rates, per person or equipment charges for some services.³⁶

IPART seeks comment on the following



19. Are there any other charging structures that we should consider other than those listed below?

- a fixed charge
- a variable charge
- a combination of a fixed and variable charge (e.g. a call out fee plus a time-based charge, an administration fee plus a time-based charge)
- charge based on property value.



20. Are there specific FRNSW's services for which we should review charges to improve equity and efficiency? If so, which services?

6 Regulatory framework for applying charges

There are numerous ways for Government charges to be set ranging from an IPART determination; to gazettal of a Ministerial order; to a methodology or a dollar amount being set out in a regulation; to administrative discretion to set and change charges at will. Usually legislation establishes the frameworks for how charges are set by NSW government agencies.

This chapter sets out:

- Fire and Rescue NSW (FRNSW)'s current regulatory framework for charging
- the issues we have identified with the current regulatory framework
- the options to address those issues and establish a regulatory framework for setting and adjusting or updating charges in future.

6.1 The Fire Brigades Regulation 2014 prescribes FRNSW's charges

The *Fire and Rescue Act 1989* (FR Act) authorises FRNSW to impose charges for certain services in the following ways:

1. For attending a fire outside a fire district or attending a hazardous material incident³⁷ FRNSW can recover "charges not exceeding the prescribed charges".³⁸ These prescribed charges operate as a price cap or maximum charge for attending fires outside a fire district or providing hazmat services. (In practice, FRNSW currently does not charge for attending fires outside a fire district, and only charges for attending hazmat incidents that last over an hour.)
2. For some listed services, such as inspecting premises or inspecting or testing equipment; providing advice or reports concerning fire prevention or protection; training or responding to false alarms, FRNSW may impose the charge prescribed by the regulations.³⁹ These other services are not subject to a price cap or maximum charge; the charge imposed by FRNSW is the charge specified in regulations. If Regulations do not specify charges, FRNSW can impose such charges as it thinks fit.⁴⁰
3. As well as the listed services in the Act, FRNSW may charge for performing any other service specified in the regulations.⁴¹ Currently, regulations specify no other services.
4. In some cases, such as the conduct of training courses, FRNSW has discretion to determine the charges if regulations do not prescribe charge.⁴²
5. FRNSW may also negotiate charges for its automatic fire alarm (AFA) services.⁴³

The Act also expressly prevents FRNSW from charging for attending a fire in a fire district.⁴⁴

The *Fire Brigades Regulation 2014* (FB Regulation) currently prescribes charges. Charges vary depending on the service and are based on either hourly or daily rates, fixed fees or specified costs for special items and consumables. There is no 'other service' currently specified in the FB Regulation in addition to the ones listed in the FR Act.

The charges currently prescribed in the FB Regulation are static. There is no mechanism within the regulation that allows FRNSW to adjust charges over time other than amendment of the regulation.

6.2 We identified issues with the current regulatory framework

6.2.1 Basis for charges is complicated and inconsistent

As noted above, charges are based on either hourly or daily rates, fixed fees or specified costs for special items and consumables. Some of the specified charges vary by value of the development to which they apply. If these charging practices reflect different cost drivers for those services, it may be appropriate to have different charging bases, but there are also benefits from a simpler, more consistent charging basis.

6.2.2 Similar services have different charges

FRNSW provides two services under the *Environmental Planning and Assessment Regulation 2000* – Final Fire Safety Reports (FFSR) and Fire Safety System Reports (FSSR) – that require similar activities on the part of FRNSW and incur costs in similar ways. However, the body of the FB Regulation specifies the charges for FFSR as fixed dollar amounts for inspections and assessments, while no charges are specified for Fire Safety System Reports and they are charged as “other services” according to the hourly rates for officers involved.

6.2.3 Charges are not necessarily cost-reflective

It is not clear on what basis the charges were originally set, or on what basis some (but not all) of them have been amended since. Even if they were cost-reflective in the first instance, it is unlikely that they have continued to be so.

In some cases, it is clear that they are not cost-reflective, as the charge is not related to the cost drivers for the service. For example, charges for providing initial fire safety reports are related to the estimated cost of the development they relate to. As the costs of the fire safety reports are mostly related to the time involved in preparing them, the charge is only likely to be cost-reflective if the time taken to prepare them is correlated with estimated cost of development.

6.2.4 The framework is insufficiently flexible

Currently, FRNSW can only charge for specified services as set out in the FR Act and the specified amounts set out in the FB Regulation. They have no flexibility to charge for any new services that they introduce, nor can they vary the charges. They may waive or reduce a charge, but these are relatively cumbersome approaches which can introduce administrative costs into the process.

6.2.5 FRNSW’s charges have remained the same for several years

FRNSW cannot change the charges in the FB Regulation unless the regulation is amended or re-made. While the statutory repeal process allows for the charges to be reviewed every 5 years, it appears that changes have only been made irregularly on an ad hoc basis.

FRNSW carried over many of the charges in the current FB Regulation (2014) in nominal terms from previous versions of the FB Regulation, some going back to 2006. Table 6.1 below shows when the charges in the FB Regulation were first set.

Table 6.1 Charges in the FB Regulation and when they were set

Current charge	When the charge/s were set
Hourly charges for standard equipment used or made available while attending hazmat incident (Schedule 1 of FB Regulation)	2006 ^a
Services performed in connection with statutory fire safety (section 46 and Schedule 2 of FB Regulation)	2008
Hourly charges for performing other services (Schedule 3 of FB Regulation)	2006 ^a (5 ranks) 2008 (additional 6 ranks)
Attending a false alarm (section 47 of FB Regulation)	2016 ^b

a. These charges were set in a 2006 amendment to the 2003 FB Regulation. *Fire Brigades (General) Amendment (Charges) Regulation 2006*, cl 3, Schedule 1

b. This was set in a 2016 amendment to the 2014 FB Regulation. *Fire Brigades Amendment (False Alarm Charge) Regulation 2016*, cl 3

Sources: *Fire Brigades Regulation 2014*, Schedules 1-3, *Fire Brigades Regulation 2008 (repealed)*, Schedules 1-3, *Fire Brigades Regulation 2003 (Repealed)*, Schedules 1 and 2.

In addition, there is currently no mechanism for FRNSW to adjust the charges each year for inflation or other changes in costs. To not increase in line with CPI means that charges have effectively decreased over time in real terms. Had FRNSW updated the charges using the CPI for Sydney, they would have increased by:

- 38.2% since 2006
- 30.2% since 2008
- 9.2% since 2016.

To demonstrate the difference this can make, Table 6.2 presents a selection of charges at the current price, what it would be with annual CPI increases, and the difference.

Table 6.2 Examples of current charges and the effect of CPI increases

Year in which price was set	Example charge	Current price	Price with CPI increase	Difference
2006	Hazmat: Each standard pumper/hazmat pumper	\$423	\$ 585	\$162
2006	Hazmat: hazmat vehicles/special operations response vehicle/boat	\$286	\$395	\$109
2006	Hazmat: Each helicopter	\$3,300	\$4,560	\$1,260
2008	Initial fire safety report, for development with estimated cost of \$1 million	\$750	\$977	\$227
2008	Consultancy per day	\$2,600	\$3,385	\$785
2016	False Alarm attendance	\$1,600	\$1,748	\$148

IPART seeks comment on the following



21. Are there any other issues with the current regulatory framework for charging?

6.3 We considered options for a future regulatory framework

As part of our review, we are considering what regulatory framework will allow FRNSW to set charges in a way that best meets the pricing principles we set out in Chapter 3.

This section sets out three options for a future regulatory framework. Our preliminary view is that the preferred option is to keep the current regulatory framework, with adjustments made to address the issues identified above.

6.3.1 IPART could regulate FRNSW's charges

IPART has the power to determine prices for declared (under the IPART Act) government monopoly services supplied by some government agencies.⁴⁵ For example, we have a standing reference to determine the maximum prices that certain public water utilities can charge for water services in NSW. If the Minister were to declare FRNSW's services as a government monopoly, we would conduct regular reviews of FRNSW's charges and set them via a determination.

This would have the benefit of regular independent review of FRNSW's charges, and the protection of the public from any abuse of monopoly powers.

On the other hand, the revenue FRNSW receives from user charges is relatively small, and the administrative cost of independent regulation disproportionately high. Unless this current review finds evidence of abuse of monopoly powers, we are unlikely to recommend this approach.

6.3.2 The Minister could set FRNSW's charges by notice or order

Some government services have their charges set by notice or by order. For example, the Minister for Health sets and can amend ambulance fees by notice published in the Government Gazette.⁴⁶ Transport for NSW can determine fares by order published on the NSW legislation website.⁴⁷

These methods are more flexible: The Minister can amend the charges as required; and can introduce charges if new services are offered. However, to introduce this method of charging for Fire and Rescue NSW would require legislative amendment to the FR Act.

6.3.3 Government could use the existing regulatory framework to address issues of concern

The current regulatory framework that prescribes FRNSW charges in regulations is a common approach used for NSW government services. For example, the *Road Transport (Driver Licensing) Regulation 2017* sets fees in fixed dollar amounts in a schedule, while the *Gaming Machines Regulation 2019* sets fees in a schedule by reference to a "fee unit", which allows the fees to be increased by CPI each year.

We consider that Government could address most of the issues identified with the current charging framework within the existing framework.

The charging basis could be simpler, more consistent and more cost-reflective

As part of our review, we are looking at the structure of FRNSW's charges, and aiming to make the charging regime simpler, more cost-reflective and more consistent between services. FRNSW could implement these changes when the FB Regulation is remade, without any changes to the overarching legislative framework.

FRNSW could have more flexibility around charging

The FR Act provides the Commissioner of FRNSW with the discretion to set charges not specified in the FB Regulation. Government could amend the Regulation to allow for more flexibility for new services to have charges set by the Commissioner.

FB Regulation could include an appropriate cost index

An appropriate index will accurately quantify changes in the cost of providing FRNSW's services and adequately compensate it for any cost increases, while at the same time providing it with incentives for greater efficiency in its operation. Our preferred option is to use the CPI for Sydney as a cost index to update FRNSW's charges.

We assessed whether to adopt an externally published index or to develop a FRNSW-specific cost index. We analysed benefits and costs of these options and formed a view that an indexation methodology should be based on a single, externally published index.

The regulation could allow FRNSW to update charges using an externally published index, such as the Sydney Consumer Price Index (CPI), or ABS Quarterly index of hourly rates of pay in the NSW public sector. If we were to adopt a single externally published cost index, the regulation could set out charges for services for 2022-23 in dollar terms and specify the CPI for Sydney as a cost index which FRNSW would use to adjust charges for each subsequent year. Updating charges using an externally published index would be simple, transparent and easily replicable, as all information is publicly available. Also, IPART would have no role in annual update once the regulation sets out the cost index.

Alternatively, we considered constructing a FRNSW-specific index using a combination of several publicly available indices. As the majority of FRNSW's costs relates to labour costs, we could use a combination of ABS Quarterly index of hourly rates of pay in the NSW public sector to reflect changes in labour cost and Sydney CPI to capture changes in all other costs. The regulation could specify the elements of a FRNSW-specific index and the weight for each index element.

A FRNSW-specific cost index could better reflect changes in FRNSW's actual costs. This is because such an index would consist of several cost groups where each cost group is associated with a price index that correctly reflects individual cost changes.

However, this is not our preferred option. This approach would require IPART to review FRNSW's costs periodically to ensure the cost index consists of appropriate indices and weights based on the latest available information. Also, should FRNSW require to change or update the weightings, it would require Government to amend the regulation. In our view, costs of amending the regulation to update a FRNSW-specific cost index outweigh benefits of more closely reflecting cost changes over time.

We considered two options for an appropriate cost index:

- All Groups CPI for Sydney and as published by the Australian Bureau of Statistics
- ABS Quarterly index of hourly rates of pay in the NSW public sector.

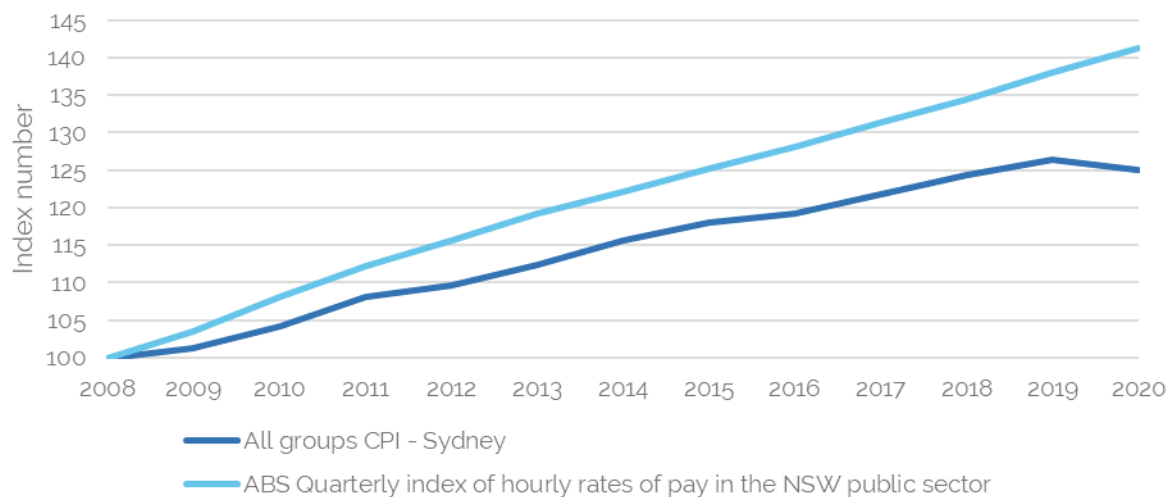
The CPI measures household inflation and includes statistics about price change for categories of household expenditure such as food, housing, health, transport etc. The CPI is publicly available information, and hence updating charges over time would be simple, transparent and easily replicable. Indexation in line with CPI would also be consistent with the approach taken to charges for services by agencies in other industries in NSW, for example, licensing and approval fees for gaming and liquor.

The main drawback of using the CPI is that the change in the Sydney CPI is not directly linked to the cost drivers of providing FRNSW's services and hence may not necessarily reflect changes in the actual costs of providing FRNSW's services.

An alternative option is to use ABS Quarterly index of hourly rates of pay in the NSW public sector. Given that labour costs represent 80% of FRNSW's total operating cost, the public sector wage index is likely to better reflect the changes in FRNSW's costs over time. However, the public sector wage index is not commonly used for updating prices across various industries.

Figure 6.1 shows changes in the CPI for Sydney and the NSW public sector wage index since 2008. Over this period, the CPI for Sydney increased by an average of 1.9% each year, whereas the NSW public sector wage index increased by an average of 2.9% each year. Therefore, based on more than 10 years of data, adjusting charges using the CPI for Sydney is likely to lead to a lower annual increase in charges than using the public sector wage index.

Figure 6.1 CPI for Sydney and NSW public sector wage index since 2008



Note: Index number in 2008 is set to 100.

Source: ABS and IPART calculation.

Overall, we prefer the CPI for Sydney to the NSW public sector wage index. We are interested in your view on which of these two is an appropriate cost index for adjusting FRNSW's charges over time.

IPART seeks comment on the following



22. Do you agree with keeping the current regulatory framework but improving it by:

- making the basis for charging simple, consistent and cost reflective
- giving FRNSW more flexibility around charging
- including a cost index in the FB Regulation to enable FRNSW to update its charges periodically?

If not, why not?



23. Do you agree with our proposed approach of using a single, externally published index as a cost index for adjusting FRNSW's charges? If not, why not?



24. Do you agree with our proposed approach of using the Consumer Price Index for Sydney to update FRNSW's charges? If not, why not?

Appendices

A Terms of reference



The Honourable Victor Dominello MP

Minister for Digital
Minister for Customer Service

*Our reference: BN-03862-2021
Your reference: D21/14676 & BN-02557-2021*

Ms Carmel Donnelly
Chair
IPART
By email: ipart@ipart.nsw.gov.au

Dear Ms Donnelly

I am writing in response to your correspondence on the revised terms of reference for an IPART review of Fire and Rescue NSW's fee charging model.

In April 2021, pursuant to section 12 A of the Independent Pricing and Regulatory Tribunal Act 1992, I referred the matter to the Tribunal for investigation and report. I note that IPART gave notice of this referral and sought public comment on the draft terms of reference.

I have considered the revised terms of reference you provided and I am pleased to issue IPART with the final terms of reference (attached).

The Tribunal is requested to conduct a review, with the final report to be completed and provided to the Minister of Police and Emergency Services within 8 months of receiving the final terms of reference.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Victor Dominello'.

Victor Dominello MP
Minister for Digital
Minister for Customer Service

Date: 18/07/21

Draft Terms of Reference – Review of Fire and Rescue NSW's fees and charges

I, Victor Dominello, Minister for Customer Service, under section 12A of the Independent Pricing and Regulatory Tribunal Act 1992 (IPART Act), request the Independent Pricing and Regulatory Tribunal (IPART) to investigate and report on fees and charges levied by Fire and Rescue NSW.

Background

Fire and Rescue NSW (FRNSW) is the State Government agency responsible for the provision of fire, rescue and hazmat services in cities and towns across New South Wales in accordance with the Fire and Rescue NSW Act 1989, the State Emergency and Rescue Management Act 1989 and other related legislation.

FRNSW's activities are predominantly funded by the Emergency Services Levy paid by insurers of property in NSW, via insurance levies, and local councils, as well as NSW Budget funding. FRNSW does not charge for attending fires, or attending hazardous materials emergencies for less than one hour, or for rescue operations.

However, FRNSW may charge for some of its activities as prescribed by the Fire Brigades Regulation 2014 (FB Regulation).

Fees and charges as prescribed within the FB regulation have not been reviewed for several years. With the pending repeal of the FB Regulation, there is an opportunity to review current charges in line with modern practices and determine the most appropriate pricing model.

Reference to the Tribunal

The Minister requests IPART to review FRNSW's current charging model, and make recommendations on:

- Which FRNSW services should be subject to user-pays charges
- A pricing framework to recover the efficient costs of those services, including:
 - A methodology or level for prices from 1 September 2022
 - A methodology for reviewing and adjusting prices in future
 - A regulatory framework for applying those prices.

Matters for consideration

- The efficient cost of delivering the services in question
- Appropriate incentives for service users to avoid incidents and events that require FRNSW attendance (eg, fire alarm maintenance to prevent false alarms, safe handling of hazardous materials etc)
- Any public benefit of the FRNSW's activities which should not be charged to the service user.

a.

Consultation

IPART must undertake such consultation as is required under the IPART Act and may undertake such further consultation as it considers appropriate, including with key stakeholders such as:

- Principal Certifying Authorities
- Planning authorities
- Consent authorities
- Local Councils
- Developers
- Hydraulic / Fire Engineers
- Building Owners
- Other (Federal and State) Government agencies.

Reporting

IPART should publicly release a draft report for comment, and submit a final report to the Minister for Emergency Services within 8 months of receiving these final terms of reference.

B List of FRNSW services

Service	Type of charge	Basis of charge	Customers
Attend hazmat incident	Fee for service Cost recovery	<ul style="list-style-type: none"> Hourly charge Per item charges Cost of consumables + handling charge 	Individuals or organisations who use, store, or handle hazardous materials
Attend hazmat incident – wires down	Fee for service Cost recovery	<ul style="list-style-type: none"> Hourly charge Per item charges Cost of consumables + handling charge 	Electricity transmission and distribution networks
Respond to fire outside fire districts	Fee for service	No more than 20% of the value of the relevant property or vessel	Property (including vehicle and vessel) owners Masters of vessels
Initial fire safety report	Fee for service	Estimated cost of development	Certifiers Developers Building consultants
Final fire safety report	Fee for service	Hourly charge	Certifiers Developers Building consultants
Fire safety system report	Fee for service	Hourly charge	Certifiers Developers Building consultants
Assessment of Building Code of Australia Category 2 fire safety provision	Fee for service	Flat fee per service	Certifiers Developers Building consultants
Attendance at a fire safety meeting associated with development	Fee for service	Hourly charge	Certifiers Developers Building consultants
Advisory, assessment or consultancy services for State significant infrastructure, Crown building work or other development	Fee for service	Daily charge	Certifier Developers Building consultants Consent authorities (e.g. DPIE, councils) Property owners
Fire safety inspection for maritime lease	Fee for service	Hourly charge + flat fee for travelling time	Maritime leaseholders
Attendance at major and special events and for media productions	Fee for service Cost recovery	<ul style="list-style-type: none"> Hourly charge Per item charges 	Major and special event organisers Media production companies

Service	Type of charge	Basis of charge	Customers
		<ul style="list-style-type: none"> Cost of consumables + handling charge 	
Automatic fire alarm (AFA) monitoring services	Fee for service	Various: Fee per applicant Fee per annum Hourly charge + expenses Fee per test Monthly fees	Automatic Fire Alarm Service Providers Building owners Building managers
Responding to a false AFA	Charge	Per chargeable attendance	AFASPs Building owners Building managers
ComSafe training courses	Fee for service Cost recovery	Fee per course Additional costs: per hour or per item	Customers
ComSafe emergency plans and diagrams	Fee for service	Fee per service	Building owners Building managers
Shared services (SAP) provided to RFS and SES	Cost recovery	Monthly invoice based on cost to FRNSW	RFS and SES
Call taking and dispatch services provided to RFS and SES	Cost recovery	Monthly invoice based on cost to FRNSW	RFS and SES
Providing services to other agencies and jurisdictions	Nil	NA	Ambulance NSW NSW DPP Commonwealth Rural Fire Service NSW State Emergency Service NSW Volunteer Rescue Association NSW
Use of Emergency Services Academy Facilities	Fee for service Cost recovery	<ul style="list-style-type: none"> Hourly charge Per item charges Cost of consumables + handling charge 	Commonwealth agencies NSW Government agencies
Receiving notifications of radiation gauges and the locations of radiation sources	Nil	NA	SafeWork NSW EPA
Consultation and making recommendations about emergency plans for workplaces that handle, use or store hazardous chemicals exceeding a certain quantity, major hazard facilities and licensed explosives sites	Nil	NA	SafeWork NSW EPA
Providing comment to consent and regulatory authorities on a fire safety matter, development condition, compliance issue, or order applying to an occupied building	Nil	NA	Councils Other consent authorities (SafeWork, EPA, Office of Building Commissioner, NSW Fair Trading, DPIE)
Assessing fire safety complaints relating to buildings or structures	Nil	NA	Owners Councils Strata

Service	Type of charge	Basis of charge	Customers
Undertaking joint inspections with councils or consent authorities of the fire safety provisions of an occupied building	Nil	NA	Councils Other consent authorities (SafeWork, EPA, Office of Building Commissioner, NSW Fair Trading, DPIE)
Responding to requests for information about incidents, including from individuals and insurers	Nil	NA	Insurers Individuals
Attendance at community events such as fetes and fun runs	Nil	NA	
Assisting with lift extractions	Nil	NA	
Assisting with reptile handling	Nil	NA	
Participating in Overcrowding Taskforce	Nil	NA	Office of Building Commissioner, Councils, NSW Fair Trading, DPIE
Remote Piloted Aircraft Systems	Nil	NA	Various NSW Government agencies

C Current fees and charges

Table C.1 Charge for attending a fire outside a fire district

Activity	Charge
Attend fire outside designated fire district (inside building, vehicle or property)	<ul style="list-style-type: none"> Must not exceed any prescribed charge, and Must not exceed 20% of the value before the fire of the building, vessel, cargo and freight or property.

Source: *Fire and Rescue Act 1989*, s 40(2) and (4).

Table C.2 Charges for attending hazmat incidents

Equipment	Cost
Each standard pumper	\$423/hr
Each hazmat pumper	\$423/hr
Each hazmat vehicle other than a hazmat pumper	\$286/hr
Each hazmat delta decontamination shelter	\$286/hr
Each special operations response vehicle	\$286/hr
Each boat (including a trailer and vehicle to tow it)	\$286/hr
Each helicopter	\$3,300/hr
Each incident command vehicle	\$275/hr
Each hose	\$55/hr
Each fully encapsulated gas suit	\$275/hr, or the full cost of replacing the suit if it is damaged or contaminated to the extent it cannot be reused
Each spillage suit	\$55/hr, or the full cost of replacing the suit if it is damaged or contaminated to the extent it cannot be reused
Each self-contained breathing apparatus	\$55/hr
Each standard gas detector	\$55/hr
Each unit of specialised detection equipment	\$110/hr
Goods or services hired or purchased by the Commissioner for the purpose of performing the services	At cost
Premises hired by the Commissioner for the purpose of performing the services	At cost
Consumables	At cost plus 10% for handling costs

Note: Half of the hourly charge applies for each half hour (or part there-of) of use.

Source: *Fire Brigades Regulation 2014*, cl 45 and Schedule 1.

Table C.3 Charges for statutory fire safety services under cl 46 in the FB Regulation

Service	Charge
Initial fire safety report, based on estimated cost of development of:	
Up to and including \$250,000	\$500
\$250,001–\$500,000	\$500, plus an additional \$0.40 for each \$1,000 (or part of \$1,000) by which the estimated cost exceeds \$250,000

Service	Charge
\$500,001–\$1,000,000	\$600, plus an additional \$0.30 for each \$1,000 (or part of \$1,000) by which the estimated cost exceeds \$500,000
\$1,000,001–\$10,000,000	\$750, plus an additional \$0.20 for each \$1,000 (or part of \$1,000) by which the estimated cost exceeds \$1,000,000
More than \$10,000,000	\$2,550, plus an additional \$0.10 for each \$1,000 (or part of \$1,000) by which the estimated cost exceeds \$10,000,000
Inspection of premises for the purposes of the provision of a final fire safety report	<ul style="list-style-type: none"> Initial inspection: <ul style="list-style-type: none"> \$215 for the first 2 hours \$200 for each additional hour, or part of an hour (including travel time) Re-inspection: <ul style="list-style-type: none"> \$430 for the first 2 hours \$200 for each additional hour, or part of an hour (including travel time)
Each assessment of a Building Code of Australia Category 2 fire safety provision by the Commissioner or a fire brigade member	\$180
Commissioner or a fire brigade member attendance at a fire safety meeting in connection with a development or proposed development	\$200/ hr or part of an hour of the meeting
Advisory, assessment or consultancy services not otherwise prescribed in clause 46 of the FB Regulation relating to State significant infrastructure, Crown building work or other development.	\$2,600 for each day (or part of a day) spent by the Commissioner or a fire brigade member providing the services

Source: *Fire Brigades Regulation 2014*, cl 46 and Schedule 2.

Table C.4 Charges for 'other services'

Service	Rate
Fire safety engineer	\$200/hr
Chief superintendent or above	\$132/hr
Building surveyor	\$130/hr
Engineer	\$130/hr
Fire safety manager	\$125/hr
Superintendent	\$121/hr
Fire safety team leader	\$110/hr
Inspector	\$99/hr
Fire safety officer	\$90/hr
Station commander or captain	\$83/hr
Firefighter	\$66/hr
Goods or services hired or purchased by the Commissioner for the purpose of performing the services	At cost, or if the item can be reused, at a reduced cost as the Commissioner considers reasonable having regard to the extent to which it can be reused.
Premises hired by the Commissioner for the purpose of performing the services	At cost, or if the item can be reused, at a reduced cost as the Commissioner considers reasonable having regard to the extent to which it can be reused.
Consumables	At cost plus 10% for handling costs

Source: *Fire and Rescue Act 1989*, s42, *Fire Brigades Regulation 2014*, cl 48 and Schedule 3.

D Glossary

Table D.1 Glossary

Word	Definition
ABS	Australian Bureau of Statistics
AFA	Automatic fire alarm
AFASP	Automatic fire alarm service provider
BCA	Building Code of Australia
ComSafe	ComSafe Training Services – a FRNSW business that is a Registered Training Organisation
CPI	Consumer Price Index
ESL	Emergency Services Levy
FB Regulation	<i>Fire Brigades Regulation 2014</i>
FFSR	Final fire safety report
FR Act	<i>Fire and Rescue Act 1989</i>
FRNSW	Fire and Rescue NSW
FSSR	Fire safety system report
Hazardous material (hazmat)	means anything that, when produced, stored, moved, used or otherwise dealt with without adequate safeguards to prevent it from escaping, may cause injury or death or damage to property.
Hazardous material incident	means an actual or impending land-based spillage or other escape of hazardous material that causes or threatens to cause injury or death or damage to property.
IFSR	Initial fire safety report
ODPP	NSW Office of the Director of Public Prosecutions
RFS	Rural Fire Service
RTO	Registered Training Organisation
SES	State Emergency Service
TfNSW	Transport for NSW

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ISBN 978-1-76049-524-4

- ¹ Fire and Rescue NSW, '[Who we are](#)', accessed 19 August 2021; and 2019-20 Annual Report, p 45.
- ² Fire and Rescue NSW: 2015-16 Annual Report, p 132; 2016-17 Annual Report, p 176; 2017-18 Annual Report, p 181; 2018-19 Annual Report, p 206.
- ³ FRNSW Act, Part 5; *Emergency Services Levy Act 2017*; Fire and Rescue, '[Funding](#)', viewed 30 August 2021.
- ⁴ FRNSW Act, ss 40(4A) and (4C).
- ⁵ FRNSW Act, ss 40(2) and 40(4A).
- ⁶ FRNSW Act, s 42(1). If there is an automatic fire alarm network service arrangement in place, the charges will be the amount the person has agreed to pay under that arrangement; FRNSW Act, s 42(1A).
- ⁷ FRNSW Act, s 42(2).
- ⁸ FRNSW Act, s 42(1).
- ⁹ FRNSW Act, s 42(2).
- ¹⁰ Fire and Rescue NSW, [Automatic Fire Alarm Service Agreement](#), accessed 25 August 2021.
- ¹¹ Fire and Rescue NSW, [Hazardous Material Incidents Charging Policy](#) (March 2020).
- ¹² Fire and Rescue NSW, [Fire Safety Charging Policy](#) (July 2021).
- ¹³ Fire and Rescue NSW, [Guideline No. 4 Application to Waive AFA False Alarm Charges](#) (October 2019).
- ¹⁴ Fire Rescue Victoria, '[False alarm charging](#)', viewed 18 August 2021; South Australian Government, [The South Australian Government Gazette](#), 4 June 2020, pp 3, 154- 3, 155.
- ¹⁵ Victorian Government, [Fire Rescue Victoria \(General\) Regulations 2020](#), Regulation 17 and Schedule 2
- ¹⁶ South Australian Government, [The South Australian Government Gazette](#), 4 June 2020, pp 3,154- 3,155. ACT Government, [Emergencies\(Fees\) Determination 2021](#), Schedule 1; Tasmania Fire Service, [Fees & Charges - 2020/2021](#), p 2.
- ¹⁷ Fire and Rescue NSW, 2019-20 Annual report, pp 39, 87.
- ¹⁸ Fire and Rescue NSW, 2018-19 Annual report, p 179.
- ¹⁹ FRNSW Act, section 11(2). The Commissioner of FRNSW also has the duty specified in section 5A(2) of the FRNSW Act in responding to hazmat incidents.
- ²⁰ FRNSW Act, section 3(1).
- ²¹ *Environmental Planning and Assessment Regulations 2000*, clause 144(2) and (6).
- ²² *Environmental Planning and Assessment Regulation 2000*, clause 144(9).
- ²³ *Fire Brigades Regulation 2014*, clause 46(3).
- ²⁴ *Environmental Planning and Assessment Regulation 2000*, clause 152(1), (2) and (5).
- ²⁵ Fire and Rescue NSW, [Technical Information sheet: Final fire safety report process](#), 15 January 2020.
- ²⁶ *Environmental Planning and Assessment Regulation 2000*, clause 152(6).
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- ²⁸ Fire and Rescue NSW, [Technical information sheet: Fire safety system report process](#), 15 January 2020.
- ²⁹ *Environmental Planning and Assessment Regulation 2000*, clause 152A(7).
- ³⁰ FRNSW Act, section 11(1).
- ³¹ *Environmental Planning and Assessment Regulation 2000*, clause 227.
- ³² Fire and Rescue NSW, '[Emergency Services Academy](#)', accessed 20 August 2021. This academy is a modern training facility with a practical learning environment designed to ensure first responders have the best knowledge and skills to help in an emergency.
- ³³ Fire Rescue Victoria, '[False alarm charging](#)', viewed 18 August 2021; South Australian Government, [The South Australian Government Gazette](#), 4 June 2020, pp 3,154- 3,155.
- ³⁴ Queensland Fire and Emergency Services, '[Unwanted Alarm Activation](#)', accessed 19 August 2021; ACT Government, [Emergencies\(Fees\) Determination 2021](#), Schedule 1.
- ³⁵ Fire Rescue Victoria (General) Regulations 2020, [Notice of Fixing Fees](#), accessed 26 August 2021.
- ³⁶ Fire Rescue Victoria, '[False alarm charging](#)', viewed 18 August 2021; South Australian Government, [The South Australian Government Gazette](#), 4 June 2020, pp 3,154- 3,155.
- ³⁷ FRNSW Act, ss 40(4A) and (4C).
- ³⁸ FRNSW Act, ss 40(2) and 40(4A).
- ³⁹ FRNSW Act, s 42(1). If there is an automatic fire alarm network service arrangement in place, the charges will be the amount the person has agreed to pay under that arrangement; FRNSW Act, s 42(1A).
- ⁴⁰ FRNSW Act, s 42(2).
- ⁴¹ FRNSW Act, s 42(1).
- ⁴² FRNSW Act, s 42(2).
- ⁴³ Fire and Rescue NSW, [Automatic Fire Alarm Service Agreement](#), accessed 25 August 2021.
- ⁴⁴ FRNSW Act, s 40(1).
- ⁴⁵ IPART, [Independent Pricing and Regulatory Act 1992](#) s11, accessed 25 August 2021.
- ⁴⁶ *Health Services Act 1997* s67L.
- ⁴⁷ *Passenger Transport Act 2014* s125(1).