

IPART Draft Recommendations on FRNSW user charges

SUBMISSION BY ROMTECK GRID PTY LTD

2.4 Attending False Fire Alarms from automatic fire alarm systems

Proposal for a 2-tiered charging structure being:

1. \$1,974
2. \$395 discounted charge

We agree with the proposal but we submit the waiver process must also be adjusted to a 2-tiered system.

There are a number of significant issues with the existing waiver process: -

- Waivers are expensive and time consuming for the AFASP which has to explain the waiver process to an owner / tenant / property manager wanting to lodge waivers. The AFASP must then ensure it obtains suitable documentation for the waivers before preparing and lodging the waivers.
- It is also expensive and time consuming for FRNSW with highly skilled staff making and reviewing waiver decisions.
- Expert FRNSW staff are required as many waiver applications propose matters like replacing smoke detectors with heat detectors; which has safety and regulatory implications under the BCA / NCC.
- Many waiver applicants then want to lodge an appeal if their waiver application is refused in whole or part. This results in another expensive and time consuming repeat procedure for both the AFASP and FRNSW.
- Some entities lodge waivers as a matter of course for virtually every false fire alarm charge.
- The demand for waivers combined with Covid 19 has seen applications taking many months to be finalised.

Both the AFASP and FRNSW cannot justify such an expensive and time-consuming waiver procedure for \$395 false fire alarm charges.

We submit the only ground for a waiver for a \$395 charge should be an error. That is, the incident has been incorrectly recorded, for example Unit 4 on Level 2 instead of Unit 2 on Level 4.

The existing waiver procedures should only apply where the proposed charge of \$1,974 is imposed.

2.5 AFA Management Services

Proposal to reduce monitoring fee per month per AFA to \$14.45

A reduction of 69% resulting in a loss of revenue to FRNSW of \$8.1 million.

We oppose this proposal for the following reasons: -

- The monitoring fee has been – subject to CPI adjustments – at this level since 2000, over two decades.
- The NSW users of automatic fire alarm monitoring services are used to this level of monitoring fees and have budgeted for said fees for decades.
- There is no good reason to deprive FRNSW of such a long-established revenue source.
- These monitoring fees are not paid by individual consumers; rather they are paid by significant landowners, strata plans or businesses to whom such fees are a relatively minor outgoing.
- To use the words in the report ‘there is a high capacity to pay’ monitoring fees.

Our submission is to instead freeze monitoring fees at the current level for five (5) years and review again at that time.

Proposal to replace existing Application Fee for connection of a new Automatic Fire Alarm Service Provider to a ‘reasonable cost’.

We oppose the proposal.

First there is no detailed financial analysis to demonstrate that existing Application Fee is not a reasonable cost. It is arguable knowing from history what is involved for FRNSW in processing a Connection Application, such fee is not unreasonable.

Second, in conjunction with the Proposal to replace existing quarterly fee for AFASP with a monthly AFA fee, this removes a required barrier to entry and places the whole AFASP system at risk.

It appears iPart has not been made aware of FRNSW corporate history regarding proven need for substantial barrier to entry of new AFASP because of the risk to automatic fire alarm monitoring in NSW.

Background: -

In 2000 Telstra decided to terminate provision of old direct PAPL services, used by FRNSW to monitor fire alarms. This affected fire authorities Australia wide.

FRNSW in common with some other states moved to the private AFASP competition model, whereby contracted AFASP would provide their own monitoring networks and technologies. FRNSW only had to receive fire alarms and other relevant signals from the AFASP.

Five (5) AFASP entered the market in competition.

At the time there was a lot of interest from medium and large fire contractor companies in NSW, many of which imagined there was a ‘pot of gold’ in subcontracting AFASP to the hundreds of sites where they provided general fire contractor services.

Very quickly, these fire contractor companies dropped these three way arrangements like ‘a hot potato’. The issue was false fire alarm charges. Many of their clients refused to pay for

false fire alarm charges where such were deemed by FRNSW due to faulty equipment, being equipment the fire contractors were supposed to be servicing.

The other point to note is that FRNSW had a nearly impossible task in getting sites using PAPT services to change to using AFASP systems. FRNSW found large numbers of sites simply ignored correspondence and failed to make the change to AFASP systems. FRNSW had to devote a lot of time and resources for years to get sites to make the change. FRNSW had to resort to sending FRNSW Officers to such sites trying to get them to change.

Even today, the same problem still occurs when a site is 'Cease Monitored' for some reason. It is often very difficult to get the site to reinstate monitoring. Part of the reason is the regulatory authority is Local Government not FRNSW.

With this background, a major problem occurred when one of the original five AFASP commenced having issues with FRNSW. There were various allegations including: - financial problems resulting in over \$1million owing to FRNSW in unpaid fees and charges; incorrectly connected ASE monitoring hundreds of sites; and unsatisfactory client service.

FRNSW did not have an easy solution. Both parties engaged lawyers and there were various legal steps being taken. The crux of the issue was a number of the monitored sites in question were unhappy and making allegations to FRNSW but if the AFASP was terminated then many hundreds of sites would be left unmonitored. This was a real and significant risk to fire safety in NSW and the whole AFASP model.

If such sites were left unmonitored then FRNSW would face the same issue as with the PAPT situation – that it would be a very slow and resource intensive exercise to get many of the unmonitored sites to change to another AFASP. Further many such sites had already paid monitoring fees yearly in advance and were hostile to changing given they had contracted with a FRNSW contracted AFASP.

Fortunately, Romteck used the same monitoring program as the AFASP in question plus understood the ASE being used. Romteck was able to arrange a deal where the monitoring contracts were purchased from the particular AFASP, FRNSW outstanding debts were paid in full and Romteck assumed the monitoring. Note Romteck was able to assume the monitoring to provide continuous coverage but it took nearly two years for Romteck to fully upgrade all such sites / ASE to meet Romteck's standards. If Romteck had not used the same monitoring system and or understood how to use the installed ASE, continuous monitoring would not have been possible.

Relevance: -

If the Application Fee to connect a new AFASP is not substantial, and the quarterly maintenance fee is effectively removed for new AFASP then its possible multiple new players will apply to be connected as AFASP.

We consider it possible some fire contractor companies with hundreds of client sites will attempt to become AFASP.

It is accepted in the industry that 2,000 monitored sites are required for an AFASP to breakeven. Yet this is an industry with very low 'churn' of monitored sites – it is likely to take one new entrant at least five years to get to breakeven. If there are multiple new entrants then most will never breakeven.

This leads to the problems and issues outlined above with an AFASP which actually occurred. Having several 'zombie' AFASP each hanging on with only hundreds of monitored sites is a real threat to fire safety and the whole AFASP system.

Even three or four hundred sites represents hundreds of major premises such as aged care and residential premises.

There is also an additional issue here for FRNSW – it cannot be seen to encourage 'franchisee' type arrangements knowing there is very little chance such entrants will make money for many years if at all. Such behaviour is deemed totally unacceptable in today's business world.

For clarity, Romteck does not object to the fee per AFA to replace the fixed quarterly fee, this method is used in Victoria and operates well. However, such a change magnifies the necessity to maintain or even increase a substantial connection fee to try and avoid repeat of corporate history.