**Regulatory Impact Statement**

**Proposed Fire Rescue Victoria (General) Regulations 2020**

**Final Version**

**22-05-2020**



This Regulatory Impact Statement (RIS) has been prepared with the assistance of Rivers Economic Consulting to fulfill the requirements of the *Subordinate Legislation Act 1994* and to facilitate public consultation on the making of the Fire Rescue Victoria (General) Regulations 2020 (the regulations).

In accordance with the Victorian Guide to Regulation, the Victorian Government seeks to ensure that proposed regulations are well-targeted, effective and appropriate, and impose the lowest possible burden on Victorian businesses, individuals and the community.

A key function of the RIS process is to provide members of the public with the opportunity to comment on proposed statutory rules before they are finalised. Such public input can provide valuable information and perspectives, and thus improve the overall quality of the regulations. A copy of the proposed regulations is provided as an attachment to this RIS.

Public comments and submissions are invited on the proposed regulations and in response to information provided in this RIS. All submissions will be treated as public documents. Written comments and submissions should be forwarded by no later than 5.00pm, 19 June 2020 to:

Attention Fire Services Reform

Department of Justice and Community Safety

Emergency Management Victoria

GPO Box 4356

MELBOURNE VIC 3001

or emailed to: [fireservicesreform](mailto:wwcc@justice.vic.gov.au)@justice.vic.gov.au

Please clearly identify that your comments or submission relates to the RIS by placing ‘*Fire Rescue Victoria (General) Regulations 2020*’ in the email subject line.

All comments and submissions will be considered prior to the Regulations being made.

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# Executive Summary

This Regulatory Impact Statement (RIS) assesses proposed regulations contained in the Fire Rescue Victoria (General) Regulations 2020 (‘the regulations’) that will be introduced on 1 July 2020 under section 34 of the *Fire Rescue Victoria Act 1958 (‘the Principal Act’)*. The Principal Act was established by the *Firefighters’ Presumptive Rights Compensation and Fire Services Legislation (Amendment) Reform Act 2019* (Reform Act), and will replace the *Metropolitan Fire Brigades Act 1958*. The Reform Act establishes Fire Rescue Victoria (FRV) as a new organisation, replacing the Metropolitan Fire and Emergency Services Board (MFB) and bringing together MFB and the Country Fire Authority (CFA) career firefighters under one organisation. Provisions in the Reform Act also allow for the Minister to direct the transfer of specified CFA corporate and administrative staff to FRV.

The regulations will revoke the current Metropolitan Fire Brigade (General) Interim Regulations 2019 which were to expire on 18 October 2020. The regulations will cover the same scope as the existing interim regulations and will be made to support the objectives of the new Principal Act; that is, to provide for fire safety, fire suppression and fire prevention services and emergency response services in the FRV fire district (which will cover the existing metropolitan fire district and include some outer urban and larger regional centres currently serviced by CFA integrated and career stations); and to establish FRV and the role of Fire Rescue Commissioner.

Minor changes for the proposed regulations include changes to terminology or replacement of the term ‘the Board’ with ‘Fire Rescue Victoria’, as well as alignment with the Country Fire Authority Regulations 2014 in relation to costs for attending hazardous materials incidents. The main difference between the proposed and existing interim regulations relate to the incorporation of a new provision to set fees for fire protection services by Fire Rescue Victoria (i.e. administratively) to align with the Country Fire Authority Regulations 2014. The purpose of setting fire protection charges administratively is to provide FRV discretion as to how and when fees will be charged and for which services.

This RIS provides an overview of emergency attendances and explains the services by the MFB and CFA integrated and career stations for which the emergency attendance fee is set. The RIS does not examine the effects of alternatives to emergency attendance processes, as that is outside the scope of these regulations. The focus of this RIS is the fee-setting aspect of emergency attendances for false alarms.

The fee prescribed in proposed regulation 17(1)(a) will apply to false alarms where ‘no reasonable excuse’ has been determined by FRV. The prescribed fee will raise approximately $13.29 million each year. The scale of this revenue means that, in remaking these regulations, the Department of Justice and Community Safety is required to prepare a RIS that considers a range of options for setting this emergency attendance fee.

Other minor matters covered in these regulations are noted in the RIS. The proposed non-fee regulations are deemed to be immaterial in terms of any burden and are therefore not analysed in detail in this RIS. Other fee regulations determine that FRV has the discretion to set a fee themselves (rather than having the regulations prescribe a specific fee). Granting FRV this discretionary power is preferable to prescribing a fee as it allows the FRV to determine the appropriate fee level depending on the nature of the service provided. There may be substantial variation in case-by-case costs for a particular service which make it unsuitable for a specific prescribed fee, and that in some cases (such as hazardous or toxic fire incidents) the regulations provide certain parameters for FRV to take account of in setting these fees.

This RIS formally assesses the regulatory proposal against the requirements of the *Subordinate Legislation Act 1994* and the Victorian Guide to Regulation by addressing the following questions:

* + Why is the Government considering action? (problem analysis)
  + What outcomes is the Government aiming to achieve? (objectives of action)
  + What are the possible different courses of action that could be taken? (identify feasible options)
  + What are the expected impacts (benefits and costs) of feasible options and what is the preferred option? (impact analysis)
  + What are the characteristics of the preferred option, including small business and competition impacts? (summarise the preferred option)
  + How will the preferred option be put into place? (implementation plan)
  + When (and how) will the Government evaluate the effectiveness of the preferred option in meeting the objectives? (evaluation strategy).

**Objectives**

In making these regulations, the government’s objectives are:

* to fund emergency attendance activities in a way that encourages property owners to proactively manage and maintain their alarm systems; and
* to equitably and efficiently recover the costs of false alarms from relevant property owners.

In line with these objectives, regard must also be had to ensuring that changes do not discourage alarm owners from maintaining and managing their alarm systems.

Importantly, the price sensitivity of owners of fire alarm systems to emergency attendance fees for false alarms remains unknown and a comparison across other relevant jurisdictions which charge per attendance rather than per appliance time, does not provide insight into how the fee level itself may affect the encouragement or discouragement of fire alarm system owners, per se. Limited data reveals that not charging for false alarms has the impact of increasing demand for false alarm calls by 12 per cent in a given year. Consequently, and for the purpose of analysis in this RIS an assumption is made that charging *a fee* leads to a reduction in the demand for false alarm attendance services through better management and maintenance however, charging owners a fee which is greater than the current level may discourage at least some[[1]](#footnote-1) from effectively managing or maintaining their fire alarm systems.

In identifying the best options for setting new fees, this RIS considers the extent to which each option achieves these objectives, as well as each option’s compliance with the principles outlined in the Victorian Government’s *Cost Recovery Guidelines* (the Guidelines). The Guidelines highlight that, where possible, regulatory fees should be set to fully recover costs to ensure both efficiency and equity objectives are met, particularly where the fee reflects a service or benefit that is fully captured by the individual paying the fee[[2]](#footnote-2).

**Problem to be addressed**

The net present value of the cost of false alarm attendances without reasonable excuses over the 10-year life of these regulations is estimated to be around $510.54 million. These costs can be funded entirely by fees or by general tax revenue or by a combination thereof.

The attendance of appliances to false alarm calls is expensive and so other key problems to be addressed are how to minimise false alarm calls that lead to an inefficient use of FRV resources; complacency in the event of real emergencies; increased risk of accident and injury to firefighters and the general public as firefighters will attend under sirens and lights; and reduced response times to real emergencies due to diversions to attend false alarms.

At the same time there is the challenge of mitigating circumvention of alarm signalling equipment (ASE) to reduce the potential risk of a real fire in terms of delayed responses. Data analysis and audits undertaken by MFB, along with anecdotal feedback from operational staff, demonstrates that there is already a proportion of incorrectly wired ASEs in the community, although this has reduced following increased compliance efforts by MFB in recent times.

**Options considered in this RIS**

The options presented in this RIS focus on alternative fee structures for emergency attendances for false alarms under proposed regulation 17(1)(a) and are limited to different levels of cost recovery of fees including full or partial cost recovery, with and without maximum fees or fixed fees. Consequently, the options to be considered as part of the cost benefit evaluation in this RIS include the following:

* ***Option 1:*** Full cost recovery fees set per appliance, of $2510 per 15 minutes or part thereof basis for false alarm attendances deemed not to have a ‘reasonable excuse’.
* ***Option 2:*** Partial cost recovery fees set per appliance, of $578 per 15 minutes or part thereof basis for false alarm attendances deemed not to have a ‘reasonable excuse’ –***the proposed regulation***
* ***Option 3:*** Partial cost recovery fees set per appliance, of $311 per 15 minutes or part thereof basis for false alarm attendances deemed not to have a ‘reasonable excuse’ with a maximum attendance fee of $1,600.
* ***Option 4:*** Partial cost recovery *fixed fees* of $1,600 per attendance for false alarm attendances deemed not to have a ‘reasonable excuse’.

Option 1 is the best option in terms of efficiency and equity objectives as set out in the Guidelines and achieves the highest weighted score under various weighting scenarios. However, *Option 2 is conservatively selected as the preferred option*as it best addresses the public safety imperative served by balancing incentivisation for the proactive maintenance of alarm systems with potential concerns that setting fees too high may increase concerns around effectiveness particularly as they relate to the risk of circumvention activities (with potentially serious impacts including injury and death, property and productivity loss). Specifically, Option 2 is chosen as the preferred option given:

* the unknown but potentially serious nature of unintended consequences and lack of data over the threshold fee driving circumvention activities (and, while less serious, the potential for increased unmeritorious VCAT challenges);
* the uncertainty around the weighting given to unintended consequences (the effectiveness criteria);
* the desire to avoid the ‘risk’ of such consequences and consideration of alternative mechanisms for addressing circumvention as there is no real assurance that reducing fees will actually reduce this behaviour;
* the proven effect in incentivising proactive steps to maintain and manage alarm systems; and
* reduction from full cost recovery is defensible from an equity point of view given that property owners already make a contribution to the cost of fire services through the Fire Services Property Levy (FSPL).

Option 2 maintains the current share in the contribution of taxpayer funding (largely through the FSPL) with regards to FRV emergency attendances to false alarms where no reasonable excuse has been provided. In present value dollars, over the 10-year life of these regulations, the cost of false alarm attendances (without reasonable excuse) of around $510.54 million will be paid in part by fees paid by owners of alarm systems (who will pay around $121.4 million), and in part by funding from general revenue (around $389.14 million).

**Effects on small business and competition**

With respect to smaller businesses, such as neighbourhood shops, the average annual cost of false alarm charges of around $4,168 per ASE is unlikely to represent more than 1.4% of typical revenues of at least $0.3 million per annum. In this context, a one-off false alarm charge is likely to be absorbed by any small business and is unlikely to represent a significant proportion of their annual business costs. In many instances, if the site in question can prove that they will make improvements to their system or put better procedures in place to reduce the likelihood of future false alarms occurring at their premises, FRV will ‘excuse’ the charge and give them the opportunity to use those funds to implement false alarms reduction strategies (see Definition of Terms for Reasonable Excuse).

The non-fee regulations are not expected to have any material burden with respect to markets. However, a wide array of markets come under proposed emergency attendance fee in the Fire Rescue Victoria fire district with businesses that have fire alarm systems. However, keeping in line with the discussion of impacts on small business, the proposed fee is highly unlikely to have an impact on the number or size of participants in relevant markets, including neighbourhood shops or make it difficult for new firms or individuals to enter the various industries. The proposed emergency attendance false alarm fee is not expected to affect the costs of a business (even small business) sufficiently or in an ongoing way as to create any significant impact on competition including any barriers to entry.

The proposed regulations are substantively the same as the current requirements. However, proposed regulation 21 for fire protection charges has been incorporated to align FRV’s regulatory framework with CFA regulation 100 and allow fire protection costs to be set administratively. In keeping with the Residential Tenancies (Caravan Parks and Moveable Dwellings Registration and Standards) Regulations 2010, proposed regulation 21 will allow for an administrative charge of $148.10 (10 fee units) for the first hour and $27.03 (2.5 fee units) for every quarter after thereof (excluding GST) for fire protection services. The 10-year present value of revenue for fire protection services is estimated to be $8.96 million which is an increase from the 10-year revenue of $4.07 million estimated for the current fee charged by MFB of $121 plus GST.

The proposed regulations relating to other emergency attendances including: reg.17(1)(b): false reports; reg.17(1)(c): fire on a vessel; reg.17(1)(d): hazardous material incident or toxic fire incident; and reg.17(1)(e): special circumstances, will continue to be prescribed but at existing fee unit levels. Aligning these charges with the current false alarm charges, will send an appropriate signal to the community with respect to resources committed in response to ‘careless behaviour’ with respect to:

* giving false reports;
* vessels;
* hazardous materials and toxic materials; and
* special circumstances requiring the protection of life and property.

**Evaluation strategy**

In order to enhance the efficiency and effectiveness of the regulations in meeting the specified objectives and to ensure that there is a robust evidence base for future decision-making, the Department of Justice and Community Safety will undertake a mid-term review to monitor the outcomes of the proposed false alarm charges. The aim of this mid-term review will be to test whether a different approach is warranted in the future to achieve regulatory objectives. The focus of the evaluation strategy will be to monitor the number of false alarms and the rate of rewiring/other avoidance measures in relation to a change in the proposed fees to inform a mid-term review of the regulations.

Given the substantial cross-subsidisation of alarm owners by the taxpaying community and the fact that the proposed regulation is of high impact, consideration will be given to an appropriate level of primary research that might be undertaken to better understand the relationship between false alarm charges and circumvention and challenge behaviours. Given the scale of the costs of activities undertaken in response to false alarms and the revenue raised from the fees charged for those activities, the Department of Justice and Community Safety will foreshadow a more detailed strategy before commencing this evaluation, and will conclude the evaluation within 3 to 5 years of implementation.

**Estimated total cost of the proposed regulations**

The total cost of the proposed regulations is estimated to be per $18.86m per annum or *$153m* over 10 years in present value dollars. This includes annual costs of approximately:

* $0.15m per annum of non-material administrative costs under proposed regulations 8, 10 and 11;
* $13.92m per annum for false alarm charges under proposed regulation 17(1)(a);
* $0.34m per annum for fees for responses involving hazardous and toxic materials under proposed reg.17(1)(d);
* $0.06m[[3]](#footnote-3) per annum of charges (set administratively) for attendances involving hazardous material and toxic fire incidents with additional aforementioned costs under proposed regulation 18;
* $0.01m per annum of charges (set administratively) for property protection under proposed regulation 19;
* $3.9m per annum of charges (set administratively and by negotiation with the TAC) for road accident services under proposed regulation 20; and
* $1.1m per annum of charges (set administratively) for fire protection services under proposed regulation 21.

Costs in relation to proposed fee regulations 17(1)(b) for false reports, 17(1)(c) vessels, and 17(1)(e) special circumstances are not included above, however these fees are infrequently charged and only in ‘rare’ instances.

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# Glossary of terms

| **Term** | **Definition** |
| --- | --- |
| AFA | Automatic Fire Alarm |
| Appliance | Any firefighting or emergency response vehicle that is used by operational staff members |
| ASE | Alarm Signalling Equipment: Equipment designed to communicate alarm and fault signals together with other information between a fire alarm system and a monitoring service[[4]](#footnote-4) |
| BCA | Building Code of Australia |
| BICU | Building Inspection and Compliance Unit |
| BGA | Break Glass Alarm |
| CFA | Country Fire Authority |
| CPR | Cardiopulmonary Resuscitation |
| DOJR | Department of Justice and Regulation |
| ESMs | Essential Safety Measures |
| EMR | Emergency Medical Response |
| EMR allowance | Allowance provided to operational staff for EMR services provided including CPR and defibrillation |
| EMV | Emergency Management Victoria |
| FRV | Fire Rescue Victoria |
| FIP | Fire Indicator Panel |
| IFEG | International Fire Engineering Guidelines |
| Integrated Station | An integrated station includes both career and volunteer firefighters and is run by CFA. Under the proposed legislation, these stations and assets, and career firefighters, will move to FRV. Volunteer brigades will be supported to co-locate with FRV units[[5]](#footnote-5). |
| Management and maintenance of AFA systems | Designed, installed and maintained in accordance with the requirements of the relevant Australian Standards. AS1670 - Fire detection, warning control and intercom systems – system design installation and commissioning. ASI851.8- Maintenance of fire protection equipment – Automatic fire detection and alarm systems. AS2118- Automatic fire sprinkler systems AS1851.3- Maintenance of fire protection equipment – Automatic fire sprinkler systems[[6]](#footnote-6) |
| MFB | Metropolitan Fire Brigade |
| MFD | Metropolitan Fire District: Two regions (North West Metro and South East Metro) made up of five-district areas (Northern, Southern, Eastern, Western and Central districts)) |
| MHFs | Major Hazard Facilities |
| OBPR | Office of Best Practice Regulation |
| POPE | Place of Public Entertainment |
| PPE | Personal protective equipment |
| Principal Act | *Fire Rescue Victoria Act 1958* |
| Reform Act | *Firefighters’ Presumptive Rights Compensation and Fire Services Legislation Amendment (Reform) Act 2019* |
| RIS | Regulatory Impact Statement |
| Reasonable Excuse | This term is not legally amenable to a precise definition. However, for the specific purposes of assessing a fee waiver request where the assessing officer deems that all reasonable precautions have been taken to prevent a false alarm, the excuse should be considered reasonable in that circumstance. |
| the MFB Act | Metropolitan Fire Brigades Act 1958 |
| the Board | Metropolitan Fire and Emergency Services Board |
| the Commission | Metropolitan Fire and Emergency Services Appeals Commission |
| the Regulations | Metropolitan Fire Brigades (General) Regulations 2005 incorporating amendments as at 13 October 2015 |
| Unit | A brigade or other fire or emergency service unit established under the Act |
| VBA | Victorian Building Authority |
| VCAT | Victorian Civil and Administrative Tribunal |
| VWA | Victorian WorkCover Authority |

# Section 1 Background

## 1.1 The need for the provision of fire services by government

The provision of fire services, including fire safety, fire suppression and fire prevention services and emergency response services, by government is predicated on the idea that benefits accruing from such services are a ‘public good’. That is to say the benefits of fire services apply to the broader community and not just to those who are directly involved in these activities. The consequence of this nature of benefits is that fire services would be both under produced and under consumed if left to the private market. Therefore, it is the responsibility of the government to provide fire services in a way which allows the benefits of such services to be more fully realised.

Legislation is needed to provide direction for the organisation and practices undertaken by government-provided fire services including for example the funding of activities, responsibilities and rights of staff, governance, and information required from the public in relation to the management of fire alarms. Moreover:

“Victoria’s fire services are being reformed so that they can meet the needs of our rapidly changing state – now and into the future….firefighters are let down by outdated management and governance structures that can’t keep up with Victoria’s rapid growth and evolution and…[they]…currently operate under systems and structures that have not changed since the 1950s. As our state grows and changes, the demands on our fire services will only continue to mount. Our cities and suburbs have grown significantly and it is clear that these services are in need of modernisation”[[7]](#footnote-7)

## 1.2 Recent legislative context

The *Firefighters’ Presumptive Rights Compensation and Fire Services Legislation Amendment (Reform) Act 2019 (‘the Reform Act’)* received Royal Assent on 2 July 2019. The Reform Act establishes Fire Rescue Victoria (FRV) as a new organisation, replacing the Metropolitan Fire and Emergency Services Board (MFB) and bringing together MFB and the Country Fire Authority (CFA) career firefighters under one organisation. Provisions in the Reform Act also allow for the Minister to direct the transfer of other CFA staff to FRV.

FRV will be responsible for fire and emergency response in Melbourne and major regional centres. CFA will be a volunteer firefighter, community-based organisation that supports Victorians during emergencies, meaning CFA will continue to provide primary response to large parts of Victoria outside of the FRV fire district. Volunteer firefighters will also continue to play a central role in the day to day provision of fire prevention and suppression activities in FRV fire district; the Act provides that FRV must, subject to operational requirements, request the assistance from volunteer brigades based in FRV fire district.

Implementation of Fire Services Reform will build on the long and proud tradition of firefighting in Victoria and position the fire services sector to meet the challenges of the 21st century – including climate change, urbanisation, and demographic/societal change – to protect Victoria’s communities, social and economic infrastructure, and natural environment well into the future. FRV and CFA will work together to keep Victoria safe and resilient.

Further information about the Fire Services Reforms can be found at [www.vic.gov.au/fire-services-reform](http://www.vic.gov.au/fire-services-reform).

It is proposed that the proposed Fire Rescue Victoria (General) Regulations 2020 (the ‘regulations’) will commence at the same time as FRV, scheduled for 1 July 2020, and be made under section 34 of the Act. These regulations will cover the same scope as the existing interim regulations and will be made to support the objectives of the new Act which is to provide for fire safety, fire suppression and fire prevention services and emergency response services in FRV fire district (defined in section 4 of the Principal Act); and to establish FRV and the role of Fire Rescue Commissioner.

The regulations will revoke the current Metropolitan Fire Brigade (General) Interim Regulations 2019 which were to expire on 18 October 2020. The scope of the proposed regulations is largely identical to that of the existing interim regulations, as are most specific provisions. Minor changes include changes to terminology or replacement of the term ‘the Board’ with ‘Fire Rescue Victoria’, as well as, alignment with the Country Fire Authority Regulations 2014 in relation to costs for attending hazardous materials incidents and fire protection services. The main difference between the proposed and existing interim regulations relate to the incorporation of a new provision to set fees for fire protection services by Fire Rescue Victoria (i.e. administratively) to align with the Country Fire Authority Regulations 2014. The purpose of setting fire protection charges administratively is to provide FRV discretion as to how and when fees will be charged and for which services.

This Regulatory Impact Statement (RIS) has been prepared to fulfil the requirements of the *Subordinate Legislation Act 1994* and to facilitate public consultation on the proposed regulations.

## 1.3 Governance, funding arrangements and activities of FRV

### 1.3.1 Functions of the Fire Rescue Commissioner and FRV

Upon commencement of the Act, MFB, including the positions of the Chief Officer and Chief Executive Officer, will be abolished. FRV will be constituted by the new Fire Rescue Commissioner who will have all the functions, duties and powers of FRV.

The Fire Rescue Commissioner will be supported by one or more Deputy Fire Rescue Commissioners. A Strategic Advisory Committee will be established provide advice to Fire Rescue Victoria on a range of matters set out in new section 33F of the Principal Act.

Under section 9 of the Principal Act (as amended by the Reform Act) the Fire Rescue Commissioner is appointed by the Governor in Council, on the recommendation of the Minister for a period of no more than five years.

The functions of FRV set out in section 7 of the Principal Act (as amended by the Reform Act) include, to:

* provide for fire suppression and fire prevention services in FRV fire district;
* provide for emergency prevention and response services in FRV fire district;
* implement the fire and emergency services priorities of the Government of Victoria;
* provide operational and management support to CFA; and
* carry out any other functions conferred on FRV by or under this Act or any other Act.

### 1.3.2 Staffing changes upon commencement of FRV

As of June 2019, MFB has 2,347 employees made up of 1,997 paid operational staff and 350 support staff.[[8]](#footnote-8) At the time of commencement of FRV:

* All existing MFB staff will transfer to FRV with their existing terms and conditions of employment; and
* CFA staff identified in Schedule 3 to the Principal Act (to be inserted by the Reform Act) will transfer to FRV with their existing terms and conditions of employment.

The Act also provides for other CFA staff to be transferred to FRV by Ministerial direction. This will be based on a collaborative review of future service needs and organisational structures by FRV and CFA, and subject to normal consultation processes. Further information is available at <https://www.vic.gov.au/fire-services-reform>.

### 1.3.3 The FRV fire district

The FRV fire district will be defined by section 4 of the Principal Act (as amended by the Reform Act). Upon commencement, the FRV fire district will include the current metropolitan fire district and will include CFA’s career and integrated stations located in urban and larger regional centres[[9]](#footnote-9).

### 1.3.4 Current MFB and CFA funding arrangements

Currently in Victoria and with respect to funding arrangements for MFB and CFA, property owners contribute to the operational costs of fire services through a Fire Services Property Levy calculated on the capital improved value of the property and levied through local council rates. These funding arrangements operate on an insurance principle, which means property owners aren’t charged directly for firefighting services they receive. However, MFB and CFA can levy user fees and charges for various activities/services under their respective regulations, as summarised in Table 1.

**Table 1: Current MFB and CFA activities/services covered under respective regulations**

| **Activity/service** | **Metropolitan Fire Brigade (General) Interim Regulations 2019 (Reg. No)** | **Country Fire Authority Regulations 2014 (Reg. No)** | **Method** |
| --- | --- | --- | --- |
| *Emergency attendances* | Reg. 17 | Reg. 101 | Prescribed fee units (39.06 fee units (MFB)  and 39.45 fee units (CFA) |
| *Additional costs of hazardous materials and toxic fire incidents* (MFB)    *The additional cost of attending a hazardous material incident* (CFA) | Reg. 18 | Reg. 101(5) | Set administratively by the Board (MFB)/Authority (CFA) |
| *Property protection and loss mitigation services* | Reg.19 | Reg. 102 | Set administratively by the Board (MFB)/Authority (CFA) |
| *Road accident rescue services* (MFB)  *Road accident rescue* (CFA) | Reg.20 | Reg.103 | Set administratively by the Board (MFB)/Authority (CFA) |
| *Fire protection charges* (CFA) | N/A | Reg.100 | Set administratively by the Board (MFB)/Authority (CFA) |

As shown in Table 1, the existing regulations enable fees to be set administratively – except for fees for emergency attendances in the case of false alarms, which are prescribed. A false alarm is where MFB attends an incident to find there is no emergency and there is no need for their firefighting skills or other expertise.[[10]](#footnote-10)

In addition, MFB can set a fee for *fire protection services* for matters relating to the Building Code of Australia and this fee was prescribed by Gazettal on 7 May in 2007 and made under section 18 of the *Building Act 1993*. However other activities in relation to fire protection services are not currently levied.

Table 2 illustrates the sources and amount of MFB and Country Fire Authority funding received in 2018-19.

**Table 2: Total funds received by MFB Board and CFA – 2018-19[[11]](#footnote-11)**

| **Income from transactions** | **$’000** | **$’000** |
| --- | --- | --- |
| **Organisation** | **MFB Board** | **CFA** |
| Department of Justice and Regulation grants | $388,532 | $609,413 |
| Treasurers advance | $29,625 | $9,357 |
| Other Grants |  | $3,446 |
| False alarm charges | $10,137 | $4,307 |
| Fire suppression equipment sales and servicing | $23,156 | $7,868 |
| Other sales | $8,403 | $5,081 |
| Interest | $759 | $6,877 |
| Dividends | $10,416 |  |
| Realised gain/(loss) on financial instruments | ($1,891) |  |
| Workers’ compensation recovered | $4,876 | $2,016 |
| Property rental | $295 | $143 |
| Brigade Donations |  | $5,126 |
| Other income | $11,082 | $3,094 |
| **Total funds received** | **$485,389** | **$656,729** |

Department of Justice and Community Safety grants are made up of consolidated revenue and levies under the *Fire Services Property Levy Act 2012* (FSPL Act). The FSPL Act stipulates that the levy will fund 87.5% of the annual funding requirements of the MFB and 77.5% of the annual funding requirements of the CFA.

A decision to impose a fee or charge can be appealed to the Victorian Civil and Administrative Tribunal (VCAT). Chart 1 shows a decreasing trend in the number of VCAT attendances between 2005 and 2019 and with no appeals in 2019.

**Chart 1: VCAT attendances – 2005 to 2019**

Source: MFB

Of the eight VCAT attendances for 2014, five were resolved, one was struck out and two proceeded to a VCAT hearing in which MFB were successful.

Data for VCAT attendances from CFA is not easily separated from those appeals relating to non-integrated stations. However, for CFA as a whole, VCAT attendances[[12]](#footnote-12) relating to false alarm charges were nil between 2015-16 and 2018-19.

### 1.3.5 Current MFB and CFA call response and attendance activities

As shown in Table 3, in 2018-19 MFB responded to 37,632 calls – an average of 37,247 calls responded to between 2011-12 and 2018-19. In 2018-19 CFA as a whole responded to 45,610 calls – an average of 43,432 calls responded to between 2015-16 and 2018-19.

**Table 3: Total number of calls[[13]](#footnote-13) responded to by MFB[[14]](#footnote-14) and whole of CFA**

| **Year** | **Number of calls (MFB)** | **Number of calls (Whole CFA)** |
| --- | --- | --- |
| 2011-12 | 35,058 | 37,239 |
| 2012-13 | 36,024 | 42,990 |
| 2013-14 | 36,611 | 41,843 |
| 2014-15 | 36,789 | 42,653 |
| 2015-16 | 37,820 | 41,962 |
| 2016-17 | 38,799 | 41,615 |
| 2017-18 | 39,239 | 44,539 |
| 2018-19 | 37,632 | 45,610 |
| **Average** | **37,247** | **43,432** |

These calls covered fires and explosions, emergency medical responses (EMR)[[15]](#footnote-15), motor vehicle accidents (MVA), rescues and medical assistance hazardous materials, hazardous not involving hazardous materials, service calls, good intent, malicious, false alarms, and other incidents. A breakdown in the number of calls, attendances by appliances, and time spent by appliances by incident type is summarised for MFB in Tables 4, 5 and 6.

**Table 4: Breakdown in annual total number of calls responded to by MFB - by incident type[[16]](#footnote-16)**

|  | **Total number of calls per annum** | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Incident type** | **2011-12** | **2012-13** | **2013-14** | **2014-**  **15** | **2015-**  **16\*** | **2016-**  **17\*** | **2017-18** | **2018-19** | **8-year average** |
| Fires and Explosions | 7,756 | 8,395 | 7,894 | 7,449 | 7,880 | 7,040 | 7,258 | 6,823 | 7,562 |
| EMR | 3,569 | 3,987 | 4,784 | 4,954 | 3,924 | 3,795 | 4,100 | 3,970 | 4,135 |
| MVA | 2,318 | 2,321 | 2,388 | 2,658 | 2,950 | 3,107 | 3,048 | 3,197 | 2,748 |
| Rescues & Medical Assistance[[17]](#footnote-17) | 1,106 | 1,053 | 1,122 | 1,142 | 1,228 | 1,384 | 1,438 | 1,390 | 1,233 |
| HazMat | 680 | 797 | 673 | 741 | 723 | 721 | 735 | 681 | 719 |
| Haz not HazMat | 2,536 | 2,626 | 2,782 | 2,560 | 2,627 | 2,493 | 2,560 | 2,372 | 2,570 |
| Service Calls | 1,200 | 1,202 | 1,481 | 1,534 | 1,554 | 1,597 | 1,718 | 1,895 | 1,523 |
| Good Intent | 5,043 | 4,931 | 4,737 | 4,821 | 5,652 | 6,029 | 4,900 | 5,254 | 5,171 |
| Malicious | 928 | 837 | 704 | 693 | 821 | 892 | 673 | 596 | 768 |
| False Alarms | 9,507 | 9,416 | 9,948 | 10,123 | 10,151 | 11,302 | 12,687 | 11,045 | 10,522 |
| Other | 415 | 459 | 98 | 114 | 310 | 439 | 122 | 409 | 296 |
| **Total number of calls** | 35,058 | 36,024 | 36,611 | 36,789 | 37,820 | 38,799 | 39,239 | 37,632 | 37,247 |

\*Extrapolated/apportioned from Code 8 transactions with respect to Good Intent, Malicious, False Alarms and Other

Table 5 provides a breakdown in the total number of attendances of appliances[[18]](#footnote-18) by incident type. Multiple attendances by the same appliance are counted as one attendance.

**Table 5: Breakdown in annual total number of attendances by MFB appliances - by incident type[[19]](#footnote-19)**

|  | **Total number of attendances per annum** | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Incident type** | **2011-12** | **2012-13** | **2013-14** | **2014-**  **15** | **2015-**  **16\*** | **2016-**  **17\*** | **2017-18** | **2018-19** | **8-year average** |
| Fires and Explosions | 15,750 | 16,619 | 15,855 | 15,435 | 16,303 | 14,908 | 14,835 | 14,417 | 15,515 |
| EMR | 3,596 | 4,018 | 4,811 | 4,978 | 3,954 | 3,831 | 4,132 | 4,000 | 4,165 |
| MVA | 3,087 | 3,066 | 3,101 | 3,394 | 3,824 | 4,060 | 3,967 | 4,122 | 3,578 |
| Rescues & Medical Assistance[[20]](#footnote-20) | 1,355 | 1,313 | 1,335 | 1,343 | 1,501 | 1,670 | 1,767 | 1,772 | 1,507 |
| HazMat | 1,247 | 1,488 | 1,345 | 1,439 | 1,476 | 1,457 | 1,388 | 1,290 | 1,391 |
| Haz not HazMat | 3,045 | 3,165 | 3,441 | 3,116 | 3,150 | 3,101 | 3,150 | 2,924 | 3,137 |
| Service Calls | 1,460 | 1,497 | 1,842 | 1,948 | 2,013 | 2,022 | 2,132 | 2,432 | 1,918 |
| Good Intent | 8,647 | 8,526 | 8,163 | 8,341 | 9,698 | 10,450 | 8,451 | 9,237 | 8,939 |
| Malicious | 1,797 | 1,668 | 1,437 | 1,371 | 1,639 | 1,778 | 1,370 | 1,240 | 1,537 |
| False Alarms | 19,917 | 19,828 | 20,870 | 21,362 | 21,530 | 24,005 | 26,561 | 23,740 | 22,227 |
| Other | 662 | 763 | 186 | 186 | 526 | 790 | 216 | 808 | 517 |
| **Total number of calls** | 60,563 | 61,951 | 62,386 | 62,913 | 65,614 | 68,072 | 67,969 | 65,982 | 64,431 |

\*Extrapolated/apportioned from Code 8 transactions with respect to Good Intent, Malicious, False Alarms and Other

Table 6 provides a breakdown in the total time spent with respect to the number of attendances in Table 4 by incident type where ‘time spent’ represents the time between an appliance being dispatched and an appliance returning to the station and does not include time spent on community safety programs and training[[21]](#footnote-21).

**Table 6: Breakdown in annual total ‘time spent’ (hours) by MFB appliances - by incident type[[22]](#footnote-22)**

|  | **Total time spent by appliances (hours) per annum** | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Incident type** | **2011-12** | **2012-13** | **2013-14** | **2014-**  **15** | **2015-**  **16\*** | **2016-**  **17\*** | **2017-18** | **2018-19** | **8-year average** |
| Fires and Explosions | 11,726 | 12,395 | 14,025 | 11,789 | 12,889 | 14,008 | 16,518 | 17,112 | 13,808 |
| EMR | 1,338 | 1,439 | 1,633 | 1,627 | 1,330 | 1,369 | 1,547 | 2,092 | 1,547 |
| MVA | 1,812 | 1,865 | 1,834 | 2,096 | 2,262 | 2,390 | 2,543 | 2,468 | 2,159 |
| Rescues & Medical Assistance[[23]](#footnote-23) | 751 | 739 | 638 | 698 | 786 | 821 | 1,003 | 1,580 | 877 |
| HazMat | 1,050 | 1,547 | 1,626 | 1,399 | 1,764 | 1,389 | 1,316 | 1,213 | 1,413 |
| Haz not HazMat | 1,891 | 1,904 | 2,829 | 1,943 | 1,884 | 1,892 | 2,014 | 1,826 | 2,023 |
| Service Calls | 808 | 855 | 2,367 | 1,260 | 1,179 | 1,526 | 1,141 | 1,545 | 1,335 |
| Good Intent | 2,447 | 2,419 | 2,332 | 2,315 | 2,696 | 3,571 | 2,371 | 2,744 | 2,612 |
| Malicious | 477 | 459 | 407 | 394 | 460 | 609 | 413 | 373 | 449 |
| False Alarms | 7,609 | 7,609 | 9,384 | 8,925 | 8,367 | 15,301 | 10,090 | 8,826 | 9,514 |
| Other | 381 | 566 | 184 | 116 | 336 | 539 | 112 | 371 | 326 |
| **Time spent** | 30,291 | 31,796 | 37,259 | 32,561 | 33,953 | 43,415 | 39,069 | 40,151 | 36,062 |

\*Extrapolated/apportioned from Code 8 transactions with respect to Good Intent, Malicious, False Alarms and Other

A summary of calls, attendances by appliances, and time spent by appliances (not including support) is summarised for CFA in Table 7 for false alarms at protected premises. Data presented is based on available information and involves the separation of CFA integrated station activities (relevant in the context of FRV) from the whole of CFA.

**Table 7: Annual false alarm activities (not including support) for protected premises for CFA integrated stations[[24]](#footnote-24)**

| **Year** | **2015-16** | **2016-17** | **2017-18** | **2018-19** | **4-year average** |
| --- | --- | --- | --- | --- | --- |
| Calls responded | 2,113 | 3,112 | 3,096 | 3,019 | 2,835 |
| Attendances | 6,612 | 9,919 | 10,073 | 10,184 | 9,197 |
| Time spent by appliances (hours) | 2,750 | 4,095 | 4,102 | 4,058 | 3,751 |

### 1.3.6 Other MFB and CFA integrated station activities

Responding to fire is only one part of MFB’s role. In addition to attending emergency calls, MFB undertakes a wide range of educative and other safety promotion functions. MFB's main objective is to reduce the incidence and impact of fire and other emergencies on the community. This objective is achieved in substantial part through the delivery of educational strategies that assist the community to become more self-reliant. MFB works with a range of partners to identify and respond to the needs of high-risk groups within the community.

CFA currently provides for: wildfire, structural and transport-related fire suppression; road and technical rescue activities (including mine operations); assisting with hazardous materials transportation and storage incidents; and working with Forestry industry brigades and other emergency activities including flood assistance. Non-emergency activities include: community awareness; education and safety programs; fire safety input, fire prevention and land use planning; technical services (inspections and investigations); and vegetation management.[[25]](#footnote-25)

## 1.4 Legislative framework

This section discusses the main legislative framework that will relate to FRV including:

* *Fire Rescue Victoria 1958* (‘the Act’);
* *Fire Services Property Levy Act 2012*;
* *Building Act 1993*;
* Building Regulations (2018);
* *Emergency Services Legislation Amendment Act* 2012;
* *Country Fire Authority Act 1958*;
* Country Fire Authority Regulations 2014;
* *Emergency Management Act 1986*;
* *Emergency Management Act 2013*; and
* *Planning and Environment Act 1987*.

As noted above, FRV’s functions are set out in section 7 of the Principal Act (as amended by the Act), and include to:

* provide for fire suppression and fire prevention services in FRV fire district;
* provide for emergency prevention and response services in FRV fire district;
* implement the fire and emergency services priorities of the Government of Victoria;
* provide operational and management support to CFA; and
* carry out any other functions conferred on FRV by or under this Act or any other Act.

Furthermore, section 2A of the Principal Act (as amended by the Act) outlines objectives in relation to the interaction between fire services. This section states that it is Parliament’s intention for FRV and the CFA to establish process that will ensure that they, amongst other things, promote collaboration and co-ordination between fire services and agencies to best meet the safety needs of the community.

The regulations and associated cost recovery structure must be consistent with these objectives, as set out in the Act.

The proposed regulations prescribe a number of measures to help ensure public safety. The underlying public policy issues (and therefore the reason regulations are required) are discussed in section 2. These measures include prescribing fire prevention notices that can be issued by municipal councils or the Fire Rescue Commissioner and require property owners or occupiers to remove fire hazards. Failure to put in place clear and effective measures directed at preventing fires could have serious impacts on life and property. Other public safety requirements focus on regulating the use of FRV’s insignia so that FRV staff and property are identifiable and to prevent any unauthorised or false representation as an FRV staff member that might risk safety, property and the legitimacy of FRV. The regulations also set out the information that providers of alarm monitoring services must provide to FRV. This information relates to alarm pre-connection, connection, modification, disconnection, verification and failure, and facilitates risk assessment, such as accurately assessing sites for appropriate emergency response. Obtaining this information helps ensure FRV is prepared to respond to emergencies where an alarm is in place. Such preparations reduce safety risks for firefighters and the public.

The regulations cover management-related matters derived from the governance standards of public sector bodies. These standards require public sector agencies to be demonstrably accountable and transparent. As a public sector agency, FRV must demonstrate it has organisational and management structures in place to operate effectively. The regulations set out management processes to make FRV administration transparent and accountable, particularly in relation to staff training, promotion and discipline. Specifying such matters in regulation makes the requirements clear to employees. A summary of relevant legislation including all acts and regulations relating to FRV activities is provided in Table 8.

**Table 8: Summary of relevant legislation for FRV**

| **Legislation** | **Purpose** | **Relevant Coverage** |
| --- | --- | --- |
| Principal Act | To provide for fire safety, fire suppression and fire prevention services and emergency response services in FRV fire district. | * Defines the Fire Rescue Victoria fire district (section 4). * Sets the duties and powers of councils/public authorities in relation to fire (section 5). * Establishes FRV (section 6) including the Fire Rescue Commissioner (section 8). * Sets the functions of FRV (section 7). * Sets out that FRV may request payment of fees and charges for a false alarm attendance by a ‘unit’[[26]](#footnote-26) where FRV is not satisfied that there was a reasonable excuse (section 32D(6)). * Sets out FRV may provide protection services (section 55C). * Sets out impersonation offences including the use of any insignia (section 75A(d)). * Make illegal the damage or interference with a fire indicator panel or other apparatus (section 75B). * Sets out that an alarm monitoring service is to provide prescribed information (section 78). * Sets out offences under which a member of the operational staff shall be guilty (section 78A) including hearing of charges (section 78C) and that suspended operational staff may engage in paid employment during the term of the suspension (section 78E(1)). * Sets out the right of appeal for operational staff (section 79H); appeal against the failure of the Board to select the member for promotion to a vacant position for which he or she has applied (section 79H(c)); and defines the term ‘merit’ for the purposes of promotion appeals (section 79P(3)). * Sets out an entitlement to long service leave (section 80(1)). * Prescribes the form and details around serving of fire prevention notices (section 87(3)) and (section 88(3)(b). |
| Building Act | To set out legislative framework for the regulation of building construction, building standards and the maintenance of specific building safety features.[[27]](#footnote-27) | * Defines the Fire Rescue Commissioner with reference to FRV fire district (section 3). * Provides for fixing of fees in relation to providing reports for building surveyors and reports and consent for building permits by the Fire Rescue Commissioner in relation to fire safety matters (section 18). * Allows regulations to be made under the Building Act regarding topics of fire prevention; fire fighting equipment and precautions and other emergency installations; services and equipment (section 8), as well as, the provision of certificates as to compliance with any or all of the building regulations or with respect to any other matters under the building regulations (section 32). |
| Fire Services Property Levy Act | To establish the Fire Services Property Levy for funding FRV and CFA | * Provides for the collection of the levy by Councils to be received by the Commissioner of State Revenue for payment into consolidated revenue. |
| The Regulations | To provide requirements for the insignia and management of employees of FRV; the operation of the Fire Rescue Victoria Appeals Commission; fees and charges levied by FRV; and fire prevention notices and alarm monitoring information (made under section 34 of the Act). | * Prescribes the insignia of FRV[[28]](#footnote-28) (reg. 6) and matters relating to long service leave[[29]](#footnote-29) (reg. 7). * Covers management of employees of FRV, including appointment (reg. 8), fitness for duty (reg. 9), promotion[[30]](#footnote-30) (reg. 10), discipline and disciplinary appeals (reg. 11 to 13). * Covers the operation and administration of the Commission including appeals[[31]](#footnote-31) (reg. 14 to 15); and keeping of a register (reg. 16). * Prescribes fees and charges for *emergency attendances* for false alarms (reg.17(1)(a))*[[32]](#footnote-32)*; false reports (reg.17(1)(b)); vessels (reg.17(1)(c)); incidents involving hazardous and toxic materials (reg.17(1)(d)); and special circumstances (reg.17(1)(e)) * Enables FRV to set and recover other fees and charges for: *additional costs of hazardous materials and toxic fire incidents* (reg. 18); *property protection or loss mitigation service*[[33]](#footnote-33)(reg. 19); and *road accident rescue service*[[34]](#footnote-34)(reg. 20); and *fire protection* (reg.21) * Covers the issuing of fire prevention notices[[35]](#footnote-35) (reg. 22) and prescribes alarm monitoring information for FRV including (reg. 23 to 29) |
| Building Regulations | To provide requirements relating to: building permits, building inspections, occupancy permits, maintenance of buildings, and enforcement.[[36]](#footnote-36) | * Prescribes Building Code of Australia (BCA) fees in relation to providing reports to building surveyors (reg. 113(g)) and providing reports and consent to building permits (reg. 309)[[37]](#footnote-37) where the Chief Officer is satisfied of certain fire safety matters. |
| Country Fire Authority Regulations | To provide requirements relating to: proceedings; management of officers and employees and management and administration of fire brigades; issue of permits to burn and other fire prevention measures; financial arrangements; compensation; and alarm information requirements | * May fix fees and charges for: inspections in relation to applications made under the Building Act the provision of advice on fire prevention and suppression matters; and the testing and inspection of fire prevention and suppression equipment (reg. 100); The additional cost of attending a hazardous material incident (reg.101(5)); Property protection and loss mitigation services (reg.102); and Road accident rescue (reg.103). |

## 1.5 Need to undertake a Regulatory Impact Statement and Scope of analysis

This section outlines which elements of the regulations require detailed analysis in this RIS in accordance with the *Subordinate Legislation Act 1994* (see Section 1.5.1) and which do not (see Section 1.5.2). In doing so the RIS highlights the principle that analysis in the RIS should be commensurate with the expected impact of the regulations, with some sections receiving greater focus that others.

### 1.5.1 Fee-regulation subject to detailed RIS analysis

Given that the proposal sets an emergency attendance fee under proposed regulation 17(1)(a) (for false alarm attendances) which represents a material cost burden across Victoria, a Regulatory Impact Statement (RIS) must be prepared. According to the *Subordinate Legislation Act 1994*, this includes a detailed cost benefit analysis. As shown in Table 1 above, MFB and CFA received $10.14 million and $4.31 million in false alarm charges revenue in 2018-19, respectively.

Chart 2 summarises the regulations subject and not subject to detailed analysis in this RIS. Non-fee regulations (reg.1 to reg.16 and reg.22 to reg.29) and other fee regulations (reg. 17(1)(b) to reg.17(1)(e) and reg.18 to reg.21), which are not subject to detailed analysis in this RIS – are described in more detail in Section 1.5.2 of this RIS.

**Chart 2: Summary of regulations that are subject and not subject to detailed RIS analysis**

**Not Subject to detailed RIS analysis**

**Non-fee regulations:**

1-5: Objective, authorising provision, commencement and definitions

6: Insignia of Fire Rescue Victoria

7: Service for the purpose of long service leave

8: Appointments by Fire Rescue Victoria

9: Fitness for duty

10: Promotion

11: General orders

12: Prohibition on members

13: Charges for offences

14 & 15: Appeals

16: Register to be kept

22: Fire prevention notices

23-29: Alarm monitoring information

**Fee regulations:**

17(1)(b): Emergency attendances for false reports

17(1)(c): Emergency attendances for fire on a vessel

17(1)(d): Emergency attendances in response to a hazardous material incident or toxic fire incident

17(1)(e): Emergency attendances in special circumstances requiring the protection of life or property in case of fire

18: Additional costs of hazardous materials and toxic fire incidents

19: Property protection or loss mitigation services

20: Road accident rescue services

21: Fire protection charges

**Fee regulations:**

17(1)(a): Emergency attendances for false alarms

Machinery and/or immaterial burden

Need for FRV discretion or to align with CFA regulation 100\*

**Subject to detailed RIS analysis**

Prescribed fee with material burden

*\*FRV is seeking to align Fire protection charges regulations (proposed reg.21) with Country Fire Authority Regulations 2014 (reg.100).*

As shown in Chart 2, proposed regulations 17(1)(b): Emergency attendances for false reports;

17(1)(c): Emergency attendances for fire on a vessel; 17(1)(d): Emergency attendances in response to a hazardous material incident or toxic fire incident; and 17(1)(e): Emergency attendances in special circumstances requiring the protection of life or property in case of fire – will all still be prescribed under proposed regulation 17(1). It is intended to keep these charges at current fee unit levels[[38]](#footnote-38) and continue to prescribe them under proposed reg.17. Aligning these charges with false alarm charges will send an appropriate signal to the community with respect to resources committed in response to ‘careless behaviour’ in relation to:

* giving false reports;
* vessels;
* hazardous and toxic materials; and
* special circumstances requiring the protection of life and property.

With respect to 17(1)b) and 17(1)(c) and according to MFB, there are very few incidents involving false reports or vessels, respectively - as with 17(1)(e) which is intended to be a ‘catch all’.

With respect to reg.17(1)(d), in the second half of 2018 there was a total of $261,967 generated for 6 invoices (an average of $43,661 per invoice) in response to hazardous and toxic materials. There were a further 2 invoices generated in the first half of 2019 for $81,291 (an average of $40,646 per invoice). Hence for 2018-19 there was a total $343,258 invoiced for responses involving hazardous and toxic materials under reg.17(1)(d) compared with $10,809,201 worth of invoices for false alarm charges under reg.17(1)(a).

Specifically, it is the concern of MFB that the proposed maximum fee for regulation 17(1)(a) for false alarm charges, would be too low as compared with the average invoice amounts involving hazardous and toxic materials of around $40,000 to $44,000.

As these charges under proposed regulations 17(1)(b) to 17(1)(e) either do not impose a significant cost, or occur infrequently, they are not assessed in detail in this RIS.

On the other hand, provisions relating to proposed regulation 17(1)(a) which prescribes the fees and charges for emergency attendances for false alarms – impose a significant cost and so are assessed in detail in this RIS. Regulation 17(1)(a) provides for FRV to levy fees on the owner of a property equipped with a fire alarm system if there is a false alarm for which the property owner occupier or owners’ corporation does not have a reasonable excuse.

These fees are not typically levied on owner occupiers or owners’ corporation at residential premises with the exception of buildings which have fire alarm systems installed (typically a multi-storied, multi-apartment complex managed by a body corporate). Charges for false alarms are most commonly imposed on the owners/occupiers of commercial, industrial and office complex premises. Specifically, under regulation 17(1), the following persons are liable to pay to Fire Rescue Victoria fees and charges:

(a) the owner, occupier or owners corporation of premises on which is installed—

1. an automatic fire alarm system; or
2. equipment designed to detect a fire or other emergency conditions and transmit a signal of that detection—

for the attendance of a unit in response to false alarm of fire given by or originating from that system or equipment if the Fire Rescue Victoria is not satisfied that there was a reasonable excuse for the occurrence of a false alarm;

(b) if ordered to do so by a court, a person who has been convicted of giving or causing to be given a false report of fire under section 33 of the Act for the attendance of a unit in response to the false report;

(c) the owner or master of a vessel for the attendance of a unit in response to a fire on the vessel;

(d) in respect of an attendance of a unit in response to a hazardous materials incident or toxic fire incident—

1. the owner or occupier of premises at which the incident occurred; or
2. if the incident occurred on a street, road or highway (however described), the owner or driver of the vehicle transporting the materials involved in the incident; and

(e) in respect of an attendance of a unit in special circumstances requiring the protection of life or property in case of fire, the person requiring the attendance or owner or occupier as the case may be.

Under regulation 17(2), the fees and charges to be paid to Fire Rescue Victoria are set out in item 1 of Schedule 2 and are payable for each appliance in attendance for each 15 minutes (or part of 15 minutes) during which the appliance is absent from its station.

Chart 3 illustrates that approximately 4,485 hours per annum or 11.17 per cent of total hours spent by appliances for emergency attendances by MFB in 2018-19 attract an incidence of fees under proposed regulation 17(1)(a) (i.e. for false alarms where no reasonable excuse had been determined).

**Chart 3: Illustration of relevant hours for incidence of fees for MFB – 2018-19**

40,151 hrs of emergency attendances **= 100%**

8,826 hrs of emergency

attendances involving false

alarms = **21.98%**

4,485 hrs\* of emergency

attendances involving false alarms where no reasonable excuse was determined = **11.17%**

\*Estimated as the product of the volume of chargeable transactions in 2018-19 (17,960)[[39]](#footnote-39) and average appliance hours spent for false alarms (1.284) divided by the average number of quarterly hour blocks per attendance (5.14).

Chart 4 illustrates that approximately 2,149 hours per annum or 6 per cent of total hours spent by appliances for emergency attendances by CFA integrated stations in 2018-19 attract an incidence of fees under proposed regulation 17(1)(a) (i.e. for false alarms where no reasonable excuse had been determined).

**Chart 4: Illustration of relevant hours (primary and support activities) for incidence of fees for CFA integrated stations – 2018-19**

35,821 hrs of emergency attendances **= 100%**

6,467 hrs of emergency

attendances involving false

alarms (primary and support) = **18.05%**

2,149 hrs\* of emergency attendances involving false alarms where no reasonable excuse was determined = **6%**

\*Estimate provided by CFA.

The level of analysis in this RIS is commensurate with the level of expected impact. Greater rigor is provided with proposed emergency attendance fees for false alarms where the annual fee impact on the community is approximately $10.14 million[[40]](#footnote-40) and $2.46 million[[41]](#footnote-41) in 2018-19 as levied by MFB and CFA integrated stations, respectively. The proposed Regulations are therefore, expected to have gross cost impacts of greater than $12.6 million per annum across Victoria, affecting building owners, occupiers and owners corporations in the case of alarm systems resulting in attendance due to a false alarm where FRV has determined that there is no ‘reasonable excuse’ (i.e. for around 11.17 per cent and 6 per cent of time spent by appliances for emergency attendance by MFB and CFA integrated stations, respectively, as shown in Charts 3 and 4).

### 1.5.2 Other non-fee and fee regulations not subject to detailed RIS analysis

#### 1.5.2.1 Other non-fee regulations not subject to detailed RIS analysis

The remaining provisions of the proposed regulations are outlined in Table 8. The definitions, insignia, long service leave, conditions of employment, the Commission, fire prevention notices and alarm monitoring information, are not deemed to have a material impact or burden (see Appendix 4 for details). The total incremental annual cost of the non-fee regulations is estimated to be approximately **$154,742 per annum**. The incremental present value cost of the non-fee regulations, as compared to the base case, is estimated to be ***$1,409,842 over 10 years***. Therefore, in keeping with a proportionate approach to analysis, the effects of these regulations being remade are not analysed in detail.

#### 1.5.2.2 Other fee regulations 18, 19, 20, and 21 not subject to detailed RIS analysis

##### Proposed regulation 18 – to be set administratively by FRV

Fees and charges for additional costs of hazardous materials and toxic fire incidents under proposed regulation 18 (where a property owner or occupier, or vehicle owner or driver are liable to pay fees and charges under proposed regulation 17(1)(d)[[42]](#footnote-42)), are not analysed in detail as the following costs are *highly variable* and *cannot be determined in advance* including:

1. the cost of obtaining advice as to the chemical analysis and environmental impact of materials involved in the incident or its containment;
2. the cost of testing, cleaning, maintaining, repairing or replacing equipment and protective equipment, including personal protective equipment;
3. the cost of products purchased for, or consumed in, neutralising the hazard involved in the incident;
4. the cost of hiring equipment and vehicles to deal with the hazard involved in the incident;
5. the cost of removal and disposal of materials;
6. the cost of medical and like expenses in testing and treating any persons injured, or at risk of injury, in attending the incident in accordance with the Act or regulations;
7. the cost of transporting any persons to deal with the hazard involved in the incident;
8. the cost of any accommodation and meals for any persons attending the incident in accordance with the Act or regulations;
9. any other costs incurred by the Authority in attending the incident or dealing with the effects of the incident.

Fees and charges attendances involving hazardous material and toxic fire incidents with additional aforementioned costs under regulation 18 provided fee revenue of approximately $57,600 in 2018-19 for MFB. This is much lower than the historical $22 million over three years (2012-13 to 2014-15) for MFB. This three-year fee revenue (2012-13 to 2014-15) does not include:

* one-off additional overtime for MFB services directed towards Hazelwood coal mine fire;
* additional overtime for regional fires outside of the metropolitan district; or
* one-off services provided for asbestos control, removal and remediation at Eastern Hill and Thornbury during 2013-14;

funded through consolidated revenue. Funding was in the order of $11.4 million for additional services, including $4.7 million for asbestos control/removal/remediation.

With respect to charging for attending a hazardous material incident (under regulation 101(5)) – total revenue for 2018-19 for the whole of CFA was $644,978, however only $235,363 was generated by CFA integrated stations[[43]](#footnote-43).

##### Proposed regulations 19 and 20 – to be set administratively by FRV

Charges under regulation 19 for property protection or loss mitigation services returned $11,000 in revenue for MFB in 2018-19 and fees under regulation 20 for road accident rescue services, provided annual revenue of $3.9 million in the same year[[44]](#footnote-44). This compares to historic average annual revenues of $0.12 million and $2.35 million, under regulations 19 and 20 respectively, over three years (2012-13 to 2014-15) for MFB. With respect to charging for property protection services provided (under regulation 102) – total revenue for 2018-19 for the whole of CFA was $47,681[[45]](#footnote-45). Total revenue for the whole of CFA with respect to road accident rescue services provided (under regulation 103) in 2018-19 was approximately $2.6 million[[46]](#footnote-46).

With respect to regulation 19, charges to be set by FRV under section 55C of the Act are proposed to be those which FRV thinks fit (subject to any direction by the Minister under section 8 of the Act). It is proposed that fees to be set by FRV under regulation 20 will be done so in agreement with the Transport Accident Commission (TAC)[[47]](#footnote-47); or with persons or bodies[[48]](#footnote-48) and will be *set administratively by FRV –* maintaining the *status quo* in terms of how these fees are currently set in relation to MFB and CFA. Given the fact that such unknown future fees and charges will be set administratively, these are not analysed in detail for the purpose of this RIS.

##### Proposed regulations 21 - Fire protection charges for statutory and non-billable functions to be administratively set by FRV

With respect to proposed new Regulation 21, *Fire protection charges*, the aim is to align regulations with the Country Fire Authority 2014 regulations (namely regulation 100).

CFA currently has the ability to fix charges for fire protection services, while MFB is currently limited in its ability to do so. The fee for fire protection services will be set at the level prescribed by regulation 46A of the Residential Tenancies (Caravan Parks and Moveable Dwellings Registration and Standards) Regulations 2010. Regulation 46A, requires a caravan park owner who is seeking to register the caravan park with the relevant council to develop an emergency management plan (EMP) and consult with the relevant fire authority.

Regulation 46A which relates to fire authority fees, are currently prescribed as 10 fee units for the first hour and 2.5 fee units for each subsequent quarter hour or part. Despite the Residential Tenancies (Caravan Parks and Moveable Dwellings Registration and Standards) Regulations 2010, sunsetting in 2020, this fee level is deemed to be appropriate by both organisations and reflective of their resourcing needs, as well as, accommodating sufficient consideration of the broader public benefit which fire protection services provides.

Under proposed new regulation 21:

(1) Fire Rescue Victoria may, from time to time, fix fees and charges for the following services provided by Fire Rescue Victoria—

(a) inspections in relation to applications made under the **Building Act 1993**;

(b) the provision of advice on fire prevention and suppression matters;

(c) the testing and inspection of fire prevention and suppression equipment.

(2) The person requesting a service referred to in subregulation (1) must pay the fee or charge fixed by Fire Rescue Victoria for the service.

MFB currently charges a fee of *$121 per hour* (including GST) under the Victorian Building Regulations 2018 for the provision of statutory reports (under the *Building Act 1993*) including:

* reports in relation to an application for a building permit[[49]](#footnote-49); and
* reports in relation to an application for an occupancy permit[[50]](#footnote-50)

where the Chief Officer is satisfied of certain fire safety matters[[51]](#footnote-51). The fee was set by Gazettal on 7 May 2007.

The various currently *non-billable* functions pursuant to proposed new regulation 21 include those with respect to:

* *Dangerous Goods:* Reports or letters of advice with regards to placarding; fire protection; emergency procedures[[52]](#footnote-52); explosives[[53]](#footnote-53); major hazard facility[[54]](#footnote-54);
* *Building Codes and Audits:* a) Letters of Advice (& pre application review) with regards to general fire protection correspondence (includes pre application conceptual design review) and b) inspections of buildings, fire protection systems and perimeter access roads, as well as, c) Building Appeals Board (BAB) referrals (sections 160 & 160A advice to the BAB);
* *Community Safety Technical Department:* a) reports including the Fire Engineering Brief referrals – International Fire Engineering Guidelines (IFEG) 2005 Stakeholder Consultation; and Fire Engineering Report referral and review[[55]](#footnote-55); and b) inspections of buildings, Major Hazard Facilities (MHFs), fire protection infrastructure and perimeter access roads; and
* *Building Inspection and Compliance:* Place of Public Entertainment inspection (Joint inspection request by municipality issuing Occupancy Permit)

Table 9 summarises the various statutory and currently non-billable functions to be charged under proposed regulation 21, including: average volume of transactions for both MFB and CFA integrated stations of around 3,260 per annum; average times taken including processing in hours; and expected fee revenue**.**

**Table 9: Summary of projected annual fee revenue for FRV from fire protection charges[[56]](#footnote-56)**

| **Function** | **Average annual volume of transactions (July 2016 to June 2019)** | **Average time taken per transaction (hours)** | **Time in excess of initial first hour of time taken per transaction**  **(lots of 15 min)** | **Estimated revenue from first hour (@$148.10 for first hour)** | **Estimated revenue for subsequent quarter hours (@$27.03 per 15 min)** | **Total estimated fee revenue** | **Currently charged for** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Dangerous Goods** |  |  |  |  |  |  |  |
| Reports or letters of advice with regards to placarding; fire protection; emergency procedures; explosives; and major hazard facility | 224 | 5.5 | 18 | $33,174 | $108,985 | $142,159 | No |
| **Building Codes and Audits** |  |  |  |  |  |  |  |
| Reports in relation to an application for a building permit | 528 | 2.5[[57]](#footnote-57) | 6 | $78,197 | $85,631 | $163,828 | Yes |
| Reports in relation to an application for an occupancy permit | 328 | 2.5[[58]](#footnote-58) | 6 | $48,577 | $53,195 | $101,772 | Yes |
| Letters of Advice (& pre application review) with regards to general fire protection correspondence (includes pre application conceptual design review) | 700 | 2 | 4 | $103,670 | $75,684 | $179,354 | No |
| Inspections of buildings, fire protection systems and perimeter access roads | 328 | 2.5 | 6 | $48,577 | $53,195 | $101,772 | No |
| Building Appeals Board (BAB) referrals (Section 160 & 160A advice to the BAB) | 51 | 2.5 | 6 | $7,553 | $8,271 | $15,824 | No |
| **Community Safety Technical Department** |  |  |  |  |  |  |  |
| Fire Engineering Brief referrals - IFEG 2005 Stakeholder Consultation | 606 | 3 | 8 | $89,749 | $131,041 | $220,790 | No |
| Fire Engineering Report referral and review | 437 | 3 | 8 | $64,720 | $94,497 | $159,217 | No |
| Inspections of buildings, MHFs, fire protection infrastructure and perimeter access roads | 52 | 2.5 | 6 | $7,701 | $8,433 | $16,135 | No |
| **Building Inspection and Compliance** |  |  |  |  |  |  |  |
| Place of Public Entertainment inspection (Joint inspection request by municipality issuing Occupancy Permit) | 6 | 5 | 16 | $889 | $2,595 | $3,483 | No |
| ***Total estimated transactions/revenue per annum*** | ***3,260*** |  |  |  |  | ***$1,104,334*** |  |

As shown in Table 9 the estimated total impact of the proposed fire protection charges under regulation 21 on the public, is determined to be approximately ***$1.1 million per annum*** or approximately ***$8.96 million over 10 years*** – in present value dollars[[59]](#footnote-59). This impact affects a broad section of the public including: building surveyors, builders, public entertainment venue operators, landlords and others. It is considered that the proposed new fire protection charges are highly unlikely to:

* impose restrictions on entry into, or exit out of, an affected industry;
* alter the ability or incentives for business to compete in an industry;
* require business, community groups or individuals to spend significant additional funds or devote a significant amount of additional time to compliance activities, change current practices or seek external advice (whether the additional resources required are significant will, to some degree, depend on the nature of the businesses or industry affected);
* create a significant disincentive to private investment – e.g. by increasing potential delays for approvals;
* impose significant penalties for non-compliance (either on businesses or individuals);
* impose minimum requirements or standards on businesses or individuals, such as building requirements or environmental standards; or
* significantly affect individual rights and liberties in some other way[[60]](#footnote-60).

Importantly, these fees will be administratively set. Also, the RIS threshold test is undertaken but modelling suggests that fire protection charges, on their own, will be unlikely to meet the significant threshold in terms of:

1. creating a measurable social and/or economic threshold cost to any sector of the public which is greater than $2 million per year, compared with the relevant base case[[61]](#footnote-61); and/or
2. imposing a significant burden on a sector of the public even where the proposal imposes quantifiable costs that are less than $2 million per year[[62]](#footnote-62).

For this reason, detailed analysis has not been conducted on proposed regulation 21 as part of the regulatory impact statement process.

### 1.5.3 Questions to be addressed in the Regulatory Impact Statement

The main questions to be addressed in the Regulatory Impact Statement as required by the latest Victorian Guide to Regulation[[63]](#footnote-63) are:

* + Why is the Government considering action? (problem analysis)
  + What outcomes is the Government aiming to achieve? (objectives of action)
  + What are the possible different courses of action that could be taken? (identify feasible options)
  + What are the expected impacts (benefits and costs) of feasible options and what is the preferred option? (impact analysis)
  + What are the characteristics of the preferred option, including small business and competition impacts? (summarise the preferred option)
  + How will the preferred option be put into place? (implementation plan)
  + When (and how) will the Government evaluate the effectiveness of the preferred option in meeting the objectives? (evaluation strategy).

These questions will be addressed in the following sections.

# Section 2: Identification of the problem

Section 2 provides the basis or intervention logic behind the need for the proposed regulations. Problems identified will relate to non-fee and fee issues. The underlying policy problem lies with the need to provide fire services by government given the ‘public goods’ nature of these services. That is to say, the benefits of fire services apply to the broader community and the aim of the government is to provide fire services in a way which allows the benefits of such services to be more fully realised. The proposed regulations will be made to support the objectives of the new Act which is to provide for fire safety, fire suppression and fire prevention services and emergency response services in FRV fire district (made up of former MFB fire districts and those relating to CFA integrated stations); and to establish FRV and the role of Fire Rescue Commissioner.

As the current regulations are due to sunset in 2020, the base case will be the situation of ‘no regulations’. However, this will include the continuation of the relevant legislation outlined at section 1.4 above.

The non-fee and fee related consequences of the base case are outlined in the following sections.

## 2.1 Non-fee related problems

### 2.1.1 Public safety issues

A lack of regulations to prescribe certain measures would entail potential consequences for public safety. In particular, these measures relate to fire prevention notices, insignia use and alarm information requirements.

Failure to put in place clear and effective measures directed at preventing fires such as fire prevention notices or controls over the unauthorized use of FRV insignia (through the impersonation of an FRV staff member or communications from or purporting to be endorsed by FRV) could have serious impacts on public safety and property, and the legitimacy of FRV. Moreover, a lack of consistent information around alarms in relation to pre-connection, connection, modification, disconnection, verification and failure reduces the capability to undertake a risk assessment, such as accurately assessing sites for appropriate emergency response. Without such information FRV is less prepared to respond to emergencies where an alarm is in place which increases safety risks for firefighters and the public.

Under the base case, the Act would continue to specify that fire prevention notices issued by municipal councils or FRV’s Fire Rescue Commissioner must be in a prescribed form under section 87(3)(a) and contain details around serving of fire prevention notices under and section 88(3)(b). However, without the regulations there would be no way to prescribe the form as well as, important prescribed particulars around the substance of the steps to be taken to remove or minimise the threat of fire which are contained in the fire prevention notice; and the date by which the owner or occupier must comply with the fire prevention notice. Failure to put in place clear and effective measures directed at preventing fires could have serious impacts on public and firefighter safety and the protection of property.

Under section 75A of the Act the base case would continue to specify offences for persons using any insignia described or set out in the regulations in any manner contrary to the manner set out in the regulations without the written authority of FRV. However, without the regulations under the base case, there would be no requirement on how the insignia may be used and by who to identify FRV staff or property. Nor would FRV be able to prevent any unauthorized or false representation that might risk public safety, property and the legitimacy of FRV.

Section 78 of the Act would continue to allow for the prescription of information that providers of alarm monitoring services must provide to FRV. However, without regulations the type of information required for different stages of the operation of an alarm including: pre-connection; connection; modification; disconnection; verification; and failure – would not be prescribed. This would hamper the accurate risk assessment, of sites for appropriate emergency response. Failing to obtain this information would leave FRV unprepared to respond to emergencies where an alarm is in place. Without such preparations FRV would not be able to reduce safety risks for firefighters and the public.

### 2.1.2 Employment management issues

Another consequence of the base case would be a lack of being able to prescribe certain measures in relation to employment and FRV administration, potentially leaving it less able to demonstrate accountability and transparency (contrary to governance standards of public sector bodies).

Processes and mechanisms to demonstrate adherence to appropriate governance standards around employment management reinforces the accountability and transparency of the administration of FRV. Clear roles, responsibilities and procedures for making decisions and exercising power, can increase public confidence in the brigade’s capacity to deliver essential fire and emergency management services to Victorians. Operational staff also need to be fit for duty and clarity around the operational requirements are important to ensure ongoing suitability of FRV members. Notwithstanding the benefits of adopting more flexible and innovative internal practices, a lack clarity to employees around processes, combined with the reduced ability to ensure suitability of its members, could ultimately undermine FRV’s operational capability.

Specifically, without regulations, there would be a lack of prescribed measures relating to how FRV might be answerable for decisions and a lack of measures to ensure adherence to appropriate standards in relation to staff training, promotion and discipline. There would be less clarity around roles, responsibilities and procedures for making decisions, and exercising power.

Without regulations, FRV would be unable to control management-related matters, compromised on regulating appeals processes and less able to ensure the suitability of its members – outcomes which could ultimately undermine FRV’s operational capability to deliver essential fire and emergency management services to Victorians.

The aforementioned negative consequence around operational capability would need to be balanced against the flexibility of not having regulations around internal practices which might make FRV more efficient because it could potentially resolve issues using current processes and more readily adopt innovative practices. The efficiency benefits of being flexible (a positive consequence) of the base case would of course depend on the extent of innovative and agile practices in FRV over time.

## 2.2 Fee-related problems

### 2.2.1 The need for provision of services that gives rise to costs

#### 2.2.1.1 Fire protection services

FRV will continue to provide various services around inspections and certifications/permits involving certain fire safety matters as shown in Table 10 and currently provided by MFB and CFA. These costs arise because this work is mandated by legislation as summarised in Table 10.

**Table 10: Summary of mandated fire protection services which give rise to costs**

| **Functions** | **Regulation mandating function** |
| --- | --- |
| 1. Reports or letters of advice with regards to placarding; fire protection and emergency procedures | Reg.49, Dangerous Goods (Storage & Handling Regulations) 2012 |
| 1. Reports or letters of advice with regards to explosives | Dangerous Goods (Explosives) Regulations 2011 |
| 1. Reports or letters of advice with regards to major hazard facility | Occupational Health and Safety Regulations 2017 |
| 1. Reports in relation to an application for a building permit | Reg.129, Building Regulations 2018 |
| 1. Reports in relation to an application for an occupancy permit | Reg.187(1), Building Regulations 2018 |
| 1. Letters of Advice (& pre application review) with regards to general fire protection correspondence (includes pre application conceptual design review) | Ancillary function to Regulations 121(c) and 129, Building Regulations 2018 |
| 1. Inspections of buildings, fire protection systems and perimeter access roads | Section 227E *Building Act 1993*) and Reg.187(1), Building Regulations 2018 |
| 1. Building Appeals Board (BAB) referrals (Section 160 & 160A advice to the BAB) | Building Act 1993, Part 10 -Division 4 |
| 1. Fire Engineering Brief referrals - IFEG 2005 Stakeholder Consultation | Ancillary function to Regulation 121(c), Building Regulations 2018 |
| 1. Fire Engineering Report referral and review | Ancillary function of Reg.129, Building Regulations 2018 |
| 1. Inspections of buildings, MHFs, fire protection infrastructure and perimeter access roads | Reg.49, Dangerous Goods (Storage & Handling Regulations) 2012, Dangerous Goods (Explosives) Regulations 2011, Occupational Health and Safety Regulations 2017 and Section 227E *Building Act 1993*) and Reg.187(1), Building Regulations 2018 |
| 1. Place of Public Entertainment inspection (Joint inspection request by municipality issuing Occupancy Permit) | Section 227E *Building Act 1993*) and Regulation 187(1), Building Regulations 2018 |

Details of work provided under section 227E under the *Building Act 1993* include:

* the inspection of any safety or emergency installations, equipment or services in a building or place of public entertainment to determine whether they are performing and being maintained in accordance with the building regulations or any relevant occupancy permit (including any records or reports relating to their operation and maintenance); and

* the provision by the Chief Officer with a report of the inspection to the municipal building surveyor within 5 business days of that inspection.

The total costs for these activities per annum is summarised in Table 11 (See Table A5.1 of Appendix 5 for source of estimates) and estimated to be around ***$1.61 million*** per annum.

**Table 11: Summary of fire protection service costs[[64]](#footnote-64)**

|  |  |
| --- | --- |
| **Area/Function** | **Annual cost** |
| **Community Safety Technical Department** |  |
| Fire Engineering Briefs (IFEG 2005 Stakeholder Consultation) | **$368,385** |
| Fire Engineering Reports/DG Risk Assessment Reports | **$170,318** |
| Inspections – Building or DG sites | **$14,306** |
| MHF Safety Case Reviews | **$13,756** |
| **BCA** |  |
| Fire Protection report – Reg 309/129 Building Regulations 2018 | **$274,965** |
| Fire Protection report – Reg 1003/187 Building Regulations 2018 | **$178,870** |
| Letters of Advice (& pre application review) with regards to general fire protection correspondence | **$120,065** |
| Inspections of buildings, fire protection systems and perimeter access roads | **$180,097** |
| Modification Section 160a Building Act 1993-MFB response to Building appeals Board (incl. Cladding related BAB applications) | **$75,913** |
| **Dangerous Goods** |  |
| Reports or letters of advice | **$207,040** |
| **Building Inspection and Compliance unit** |  |
| Inspections at Places of Public Entertainment (POPEs) | **$7,204** |
| ***Total annual cost*** | ***$1,610,917*** |

#### 2.2.1.2 False alarm attendances

Under the base case, and in the absence of the proposed regulations, the requirements of the Act around emergency attendance services as discussed in 2.1.1 of this RIS would continue. Under sections 32B (1) and (2) of the Act the Fire Rescue Commissioner would continue to be required to determine the operational response to an alarm of fire and require specified fire fighters to attend an alarm of fire with “all practical speed”[[65]](#footnote-65). Section 31A of the Act allows for the powers of the Fire Rescue Commissioner to be delegated. The Fire Rescue Commissioner would still be required to complete all requirements set out in the Act as discussed in 2.1.1 of this RIS.

However, FRV would not be able to charge fees and recover any portion of the cost of emergency attendance services for false alarms – estimated to be $123.76 million per annum (see section A3.2.1 of Appendix 3 for source of estimate). Under the base case, the emergency attendance services would continue to be provided, however funding arrangements would be such that *all* the emergency attendance activities of FRV in accordance with the Act would be funded via general tax revenue (FSPL), resulting in cross-subsidisation, with the costs associated with possibly negligent property owners being paid for by all taxpayers.

A lack of fees for emergency attendances for false alarm calls where no reasonable excuse is determined is likely to result in a reduction in the proactive management and maintenance of alarm systems leading to greater false alarm calls. This would result in more FRV resources being diverted to less efficient uses and a higher risk of complacency around ‘real’ fire incidents by the public.

Fire service organisations, including MFB and CFA, are required by legislation to respond to all calls and investigate the site prior to determining a false alarm[[66]](#footnote-66). The main component of the monitored[[67]](#footnote-67) fire alarm system is the Alarm Signalling Equipment (ASE), as illustrated in Figure 1. There were 8,567[[68]](#footnote-68) ASEs operating in Victoria during February 2020.

At the time of an activation, the ASE sends a signal to the dispatch centre via the monitoring provider, and fire appliances will be turned out to the site according to pre-determined turnout requirements, as shown in Figure 1.

**Figure 1: Monitored fire alarm system**



Source: http://www.mfb.vic.gov.au/Industry/Managing-False-Alarms/Direct-Automatic-Alarms/How-a-Typical-System-Works-.html

Currently in Victoria, the Chief Officer determines the operational response to an alarm of fire and requires specified fire fighters to attend an alarm of fire with “all practical speed”[[69]](#footnote-69), which gives rise to the need for cost recovery.



The total direct and indirect cost of false alarm attendances for MFB have been estimated to be approximately $98.13 million for 2018-19 (see Table A1.3 of Appendix 1 for source of estimate). Dividing this total cost by the average total number of hours spent by appliances for false alarm incidents over 8 years in Table 6 (i.e. 9,514 hours) provides an estimated **hourly attendance cost per appliance of $10,314.27 (or a quarterly hour cost of $2,578.57)**. The breakup of direct and indirect cost components is provided in Table 12. The largest component of cost is with respect to direct costs of operational staff ($7,531 per appliance) followed by indirect costs of administrative support ($1,348 per appliance) comprising 73.02 percent and 13.07 percent of the overall cost, respectively.

**Table 12: Hourly cost per appliance for false alarm attendances by MFB – 2018-19[[70]](#footnote-70)**

| **Direct and indirect cost category** | **Hourly cost of attendance per appliance for false alarms** |
| --- | --- |
| **Direct costs** |  |
| Appliance operational staffing | $7,531 |
| Appliance fuel | $24 |
| Appliance maintenance | $170 |
| Appliance fee | $9 |
| **Sub-total direct hourly cost per appliance** | **$7,734** |
| **Indirect costs** |  |
| Overtime and allowances for station personnel | $1,141 |
| Personal protective equipment | $73 |
| Training | $18 |
| Administrative support | $1,348 |
| **Sub-total indirect hourly cost per appliance** | **$2,580** |
| ***Total hourly direct and indirect cost per appliance*** | ***$10,314*** |

The total direct and indirect costs of false alarm attendances for CFA integrated stations have been estimated to be approximately $25.63 million for 2018-19 (see Section A2.3 of Appendix 2 for source of estimate). Dividing this total cost by the average total number of hours spent by appliances for false alarm incidents over 4 years in Table 7 (i.e. 3,751 hours) provides an estimated **hourly attendance cost per appliance of $6,833.43 (or a quarterly hour cost of $1,708.36)**. The breakup of direct and indirect cost components is provided in Table 13. The largest proportion of costs (i.e. 72.72 per cent of overall costs) is represented by direct staffing including operational staffing costs, followed by estimated indirect costs (i.e. 25.02 per cent of overall costs). Cost estimates allow for a multiplier of 4.89 (reflecting firefighters when they are not on shift) or, in other words – costs reflect 19 firefighters to account for the manning of appliances by 4 firefighters at any one time. Differences between CFA and MFB hourly alarm charges can be attributable to attendance of CFA volunteers in integrated stations, and appliance maintenance and servicing costs.

**Table 13: Hourly cost per appliance for false alarm attendances by CFA integrated stations**

**– 2018-19**

| **Direct and Indirect hourly costs** | **Hourly cost per appliance for false alarm attendances** |
| --- | --- |
| Appliance maintenance and support | $37 |
| Appliance licencing | $2 |
| Vehicle direct costs (external Inc. Fuel) SAP | $18 |
| **Sub-total direct hourly appliance costs** | **$56** |
| Salaries and on-costs (including operational staff) | $4,726 |
| Other employee expenses | $243 |
| **Sub-total direct hourly staffing costs** | **$4,969** |
| Land and buildings maintenance (external Suppliers) | $38 |
| Plant and equipment maintenance (external Suppliers) | $23 |
| General expenses (external suppliers) | $15 |
| Land and buildings - CFA internal maintenance costs | $23 |
| **Sub-total direct hourly station costs** | **$99** |
| **Sub-total indirect hourly cost** | **$1,710** |
| ***Total hourly direct and indirect hourly costs per appliance*** | ***$6,833*** |

The volume of ‘quarterly-hour’ transactions for CFA integrated stations for emergency attendances for false alarms at protected premises is estimated to be **7.85 per cent** of the total 10-year volume projected for FRV (see Table A3.4 of Appendix 3 in this RIS for the source of this estimate). Based on this share of 10-year activity, MFB and CFA integrated station quarterly hour costs have been commensurately weighted - providing a ***weighted ‘full quarterly hour’ cost of attendance per appliance for FRV as a whole of $2,510.29*** as summarised in Table 14.

**Table 14: Estimated ‘weighted’ average quarterly hour cost per emergency attendance for false alarms where no reasonable excuse has been provided for FRV[[71]](#footnote-71)**

| **Direct and indirect cost category** | **Quarterly hour cost per appliance** | ***Weighted* quarterly hour cost per appliance** |
| --- | --- | --- |
| **MFB** |  |  |
| Appliance operational staffing | $1,883 | $1,735 |
| Appliance fuel | $6 | $6 |
| Appliance maintenance | $42 | $39 |
| Appliance fee | $2 | $2 |
| **Sub-total direct cost per for MFB** | **$1,933** | **$1,782** |
| Overtime and allowances for station personnel | $285 | $263 |
| Personal protective equipment | $18 | $17 |
| Training | $5 | $4 |
| Administrative support | $337 | $311 |
| **Sub-total indirect cost for MFB** | **$645** | **$594** |
| ***Total direct and indirect cost for MFB*** | ***$2,579*** | ***$2,376*** |
| **CFA Integrated stations** |  |  |
| Appliance maintenance and support | $9 | $1 |
| Appliance licencing | $0 | $0 |
| Vehicle direct costs (external Inc. Fuel) SAP | $4 | $0 |
| **Sub-total direct appliance costs CFA integrated stations** | **$14** | **$1** |
| Salaries and on-costs (including operational staff) | $945 | $93 |
| Other employee expenses | $61 | $5 |
| **Sub-total direct staffing costs for CFA integrated stations** | **$1,242** | **$97** |
| Land and buildings maintenance (external Suppliers) | $9 | $1 |
| Plant and equipment maintenance (external Suppliers) | $6 | $0 |
| General expenses (external suppliers) | $4 | $0 |
| Land and buildings - CFA internal maintenance costs | $6 | $0 |
| **Sub-total direct station costs for CFA integrated stations** | **$25** | **$2** |
| **Sub-total indirect cost for CFA integrated stations** | **$427** | **$34** |
| ***Total direct and indirect costs for CFA integrated stations*** | ***$1,708*** | ***$134*** |
| ***Total direct and indirect quarterly hour cost*** |  | ***$2,510*** |

Based on a projected 22,721 quarterly hour transactions for false alarms (where no reasonable excuse has been provided) for 2020-21 and a ‘weighted’ quarterly hour cost per appliance of $2,510.29, it is estimated that the annual full cost of providing attendance services for false alarms would be around ***$57.04 million per annum*** (see Table A3.6 of Appendix 3).

### 2.2.2 Shortfall in revenue for fire protection services

With regards to providing fire protection services, those relating to the Building Code of Australia, under the base case would continue to have their fee set by gazette at around $121 per hour plus GST. Such services would need to continue to be provided under section 227E *Building Act 1993*. However, this is estimated to generate only $0.5 million towards recovering the total costs of fire protection services (estimated to be $1.61 million[[72]](#footnote-72)) resulting in a shortfall of around $1.1 million per annum or $8.99 million over 10 years in present value dollars. Under the current fee arrangement, the broader taxpaying community would continue subsidising fire protection services by FRV.

Under the current legislative framework, only fees for BCA related fire protection services would continue to be set by gazettal under the Building Regulations. Current fees are set at $121 per hour (excluding GST). Under this current arrangement FRV would only recover $0.5 million[[73]](#footnote-73) out of the $0.75 million annual cost[[74]](#footnote-74) – leaving a revenue shortfall of $0.25 million per annum or $2.04 million over 10 years in present value dollars.

**Table 15: Average Transactions, annual revenue and average hours per transaction for BCA related fire protection services – 2016-17 to 2018-19[[75]](#footnote-75)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Financial year** | **Transactions** | **Revenue** | **Estimated average hours per transaction** |
| 2018-19 | 1649 | $471,515 | 2.4 |
| 2017-18 | 1772 | $537,350 | 2.5 |
| 2016-17 | 1566 | $471,598 | 2.5 |
| ***Average*** | ***1,662*** | ***$493,488*** | ***2.5*** |

### 2.2.3 Risk of increase in false alarms calls

Under the base case, and in the absence of the proposed regulations – the requirements of the Act around emergency attendance services as discussed in 2.1.1 of this RIS would continue. Under sections 32B (1) and (2) of the Act the Fire Rescue Commissioner would continue to be required to determine the operational response to an alarm of fire and requires specified fire fighters to attend an alarm of fire with “all practical speed”[[76]](#footnote-76). ‘Fire Rescue Commissioner’ is defined in section 3. Section 31A of the Act allows for the powers of the Fire Rescue Commissioner to be delegated. The Fire Rescue Commissioner would still be required to complete all requirements set out in the Act as discussed in 2.1.1 of this RIS.

However, FRV would not be able to charge fees and recover any portion of the cost of emergency attendance services for false alarms – estimated to be $123.76 million per annum (see section A3.2.1 of Appendix 3 for source of estimate). Under the base case, the emergency attendance services would continue to be provided, however funding arrangements would be such that *all* the emergency attendance activities of FRV in accordance with the Act would be funded via general tax revenue, resulting in cross-subsidisation, with the costs associated with possibly negligent property owners being paid for by all taxpayers.

Furthermore, a lack of fees for emergence attendances for false alarm calls where no reasonable excuse is determined will result in a reduction in the proactive management and maintenance of alarm systems leading to greater false alarm calls. This would result in more FRV resources being diverted to less efficient uses and a higher risk of complacency around ‘real’ fire incidents by the public.

A significant proportion of calls for assistance are found upon investigation to be false alarms[[77]](#footnote-77). As shown in Table 5 in Section 1.2.4 of this RIS, ‘false alarms’ represented 26.28 per cent of total annual appliance hours dedicated by MFB on average over 8 years (between 2011-12 and 2018-19). ‘False alarms’ represented 11.8 per cent[[78]](#footnote-78) of total annual appliance hours dedicated by CFA integrated stations on average over 4 years (2015-16 to 2018-19)

Although MFB has attended false alarms since its establishment, the number of false alarms had increased significantly during the 1980s and reached unprecedented levels by 1988/89 (i.e. 28,461 false alarm calls). It was estimated that by 1988-89 false alarms accounted for approximately 68 per cent of all call-outs and that the average number of false alarms per monitoring device was 3.89[[79]](#footnote-79). At this time the Board was not provided with a mechanism to levy fees and charges to those giving rise to the need for the deployment of appliances to emergency attendances for false alarms.

The MFB Act was amended at that time to allow the Board to levy fees and charges for attendances at false alarm call-outs where the owner or occupier of the premises or property did not have a ‘reasonable excuse’ for the false alarm. The purpose was to promote the effective management and maintenance of automated fire alarm systems[[80]](#footnote-80) and minimise the growth of false alarms and drain on MFB resources and to reduce complacency towards genuine alarms - which has the potential to lead to serious injury or deaths. Unwanted and unnecessary calls also increase the risk of accident and injury to firefighters and the general public, as firefighters will attend under sirens and lights. Furthermore, response times to real emergencies can be delayed through attendance at false alarms.

As shown in Chart 5, and based on available data, the average number of false alarms per ASE per annum for MFB fell to 1.4 in 2018-19 compared to 1.44 in 2013-14 – the lowest number of calls per ASE in the Australasian Fire and Emergency Service Authorities Council group.

**Chart 5: False Alarm calls per ASE – Comparison across national fire services – 2013-14 and 2018-19**

Source: MFB

This indicates that, while MFB and CFA integrated stations may have the highest false alarm charges in terms of attendance, as shown in Table 16, this is deterring false fire alarms attendances, when compared to similar statistics in other Australian jurisdictions. For example, NSW has a fixed at fee of $1,600 whereas in Victoria the effective fee is $578.48 by 4 lots of 15 minutes for 1.285 average appliance hours per attendance – or around $2,977 on average.

**Table 16: Summary of false alarm charges - other Australian Jurisdictions[[81]](#footnote-81)**

| **State/**  **Territory** | **False alarm charge/fee[[82]](#footnote-82)** | **Additional detail around false alarm charges** |
| --- | --- | --- |
| VIC | **$578.48** (MFB)  **$584.25** (CFA) | Per quarterly hour where no reasonable excuse has been given. |
| NSW | **$1,600**  (2016-17) | No charges, if the alarm beyond control of owner. No charge for one false alarm within 60-day period. Charges for subsequent false alarms occurring within 60 days of the first alarm. Only first alarm is charged for within 24 hours. Multiple false alarms within 24 hour period considered one off event allowing owner/manager time to rectify alarm system. |
| QLD | **$1,327.15**  (current as at 1 July 2019) | First response within 60-days - no charge. Second and subsequent response within 60-days, or first and subsequent response to fire alarm system monitored by provider other than Queensland Fire and Emergency Services, charged for. |
| WA | **$920**  (current) | Applies after the third false fire alarm attendance to a premises in a financial year with invoice issued on fourth false fire alarm attendance and every false fire alarm attendance thereafter. |
| SA | A Class **$869**  B Class **$621**  C Class **$444**  (current as at 1 July 2019) | **A Class** (very high risk): All areas/buildings, four floors and above; Oil and gas refineries/installations; Special target (very high hazard industrial/commercial/life risks). **B Class** (high risk): Industrial buildings/complexes not in A; Large shopping/commercial centres/supermarkets; Health Care Facilities not in A; Public buildings/grandstands/hotels/cinemas. **C Class** (significant, medium, low risk): Residential buildings; Small shopping/commercial buildings; Small industrial/public buildings up to 150 square metres; Brush fence fires. |
| NT | **$1,118** (current as at 1 July 2019) | Applies to all alarms. A waiver can be applied for if the owner believes the alarm could not reasonably have been avoided. |
| ACT | Residential **$280**  ‘Other’ **$1,397** (current as at 1 July 2019) | One false alarm within 60-day period not charged for. Subsequent false alarms occurring within 60 days of the first alarm are charged for. Fee is not payable where the alarm could not have been prevented by reasonable maintenance of the alarm system. Fee is not payable where the alarm was activated by a circumstance beyond the reasonable control of the owner. |
| TAS | **$294.55** (current as at 1 July 2019) | Payable for third false alarm within 60 days. |

Furthermore, from a high of 69 per cent in 1988-89, the percentage of false alarm calls to all calls (MFB) has fallen to around 42 per cent with invoicing as shown in Chart 6 (see Appendix 6 for detailed source of estimates).

**Chart 6: False Alarm calls and All calls MFB – 1984-85 to 2018-19**

Source: MFB

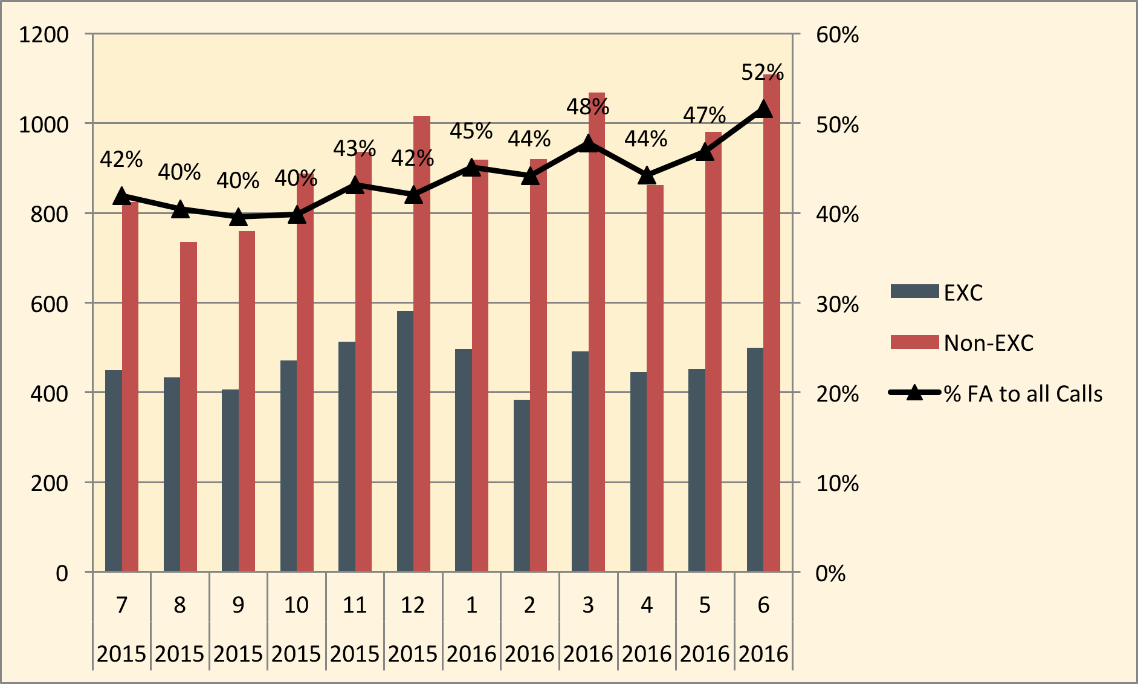
Despite the increase in the percentage of false alarm calls to all calls increasing for CFA integrated stations, from 11 per cent in 2015-16 to 14 per cent 2018-19 as shown in Chart 7 (see Appendix 6 for detailed source of estimates), this percentage remains low compared to other jurisdictions.

**Chart 7: False Alarm calls and All calls CFA Integrated stations – 2015-16 to 2018-19**

Source: CFA

Between October 2015 and 30 June 2016, MFB data shows a 12 per cent increase in the proportion of false alarm calls to all calls, where MFB had not been invoicing (despite there being no reasonable excuse), as shown in Chart 8. The evidence of a link between charging fees for false alarms and the proper maintenance of alarm systems is also borne out by the experience of periods when invoicing has ceased, with a correlating increase in false alarm calls.

**Chart 8: Increase in the proportion of false alarm calls to all calls due to non-invoicing 2015-16**



Source: MFB

Given this historical data and behaviour around false alarm calls, it is highly likely that *not having an effective charge* for false attendances would result in a significant increase (high consequence) in the number of false alarm calls in Victoria, with up to a 184.29 per cent increase (from 1.4 to 3.98) in the ratio of false alarm calls per ASE over 10 or more years. This increase would be reflective of the ratio of false alarm calls in 1988-89 (see Chart 6) before, MFB was given the ability to levy a charge through legislation. As shown in Figure 3, this would mean that there is at least a medium if not high risk of false alarms increasing and, with it, issues around misallocated FRV resources and complacency around real emergencies.

**Figure 3: Risk Matrix**



**Problem statement:**

***Shortfall in fire protection services revenue***

As shown in Table 11, the total cost of providing fire protection services in 2018-19 was estimated to be $1.61 million. Under the current fee of $121 (excluding GST) the estimated revenue would be $0.5 million per annum resulting in $1.1 million per annum to be covered by consolidated revenue. Under the current arrangement the broader taxpaying community would continue subsidising fire protection services by FRV.

***Shortfall in false alarms attendance revenue***

As shown in Table 2 of this RIS, the amount of revenue obtained from fees in 2018-19 was $10.14 million for MFB and $4.31 million for CFA ($2.46 million for CFA integrated stations) and representing charges for false alarm attendances where no reasonable excuse was provided. This fee revenue is projected to be around $13 million in 2019-20.[[83]](#footnote-83) It is estimated that in 2018-19, 10.18 per cent[[84]](#footnote-84) of false alarm attendances involved false alarms where no reasonable excuse was determined by the MFB or CFA (in relation to integrated stations). Not charging for attendances of false alarms in the case of no reasonable excuse, means FRV would have to rely on other sources of revenue (see Table 2 in this RIS) to deliver these additional services above the fire services currently covered by the levy (see section 1.2.3 of this RIS for further discussion). Under this situation, taxpayers would need to cover the total cost of false alarm attendances without reasonable excuses (estimated to be around $57.04 million annually in 2020-21 in Section 2.1.1 of this RIS) – and may be subsidising the cost of negligent property owners.

***Increase in false fire alarms***

The cost of attendance of appliances to false alarms is significant. False alarm calls increased year to year reaching a peak of 28,461 until fees were introduced in 1988-89. Failing to charge emergency attendance fees would discourage property owners from proactively managing and maintaining their alarm systems to reduce such occurrences, thereby increasing false alarm attendances and leading to: an inefficient use of FRV resources; complacency in the event of real emergencies; increased risk of accident and injury to firefighters and the general public as firefighters will attend under sirens and lights; and reduced response times to real emergencies due to diversions to attend false alarms.

## 2.3 The need for cost recovery and government policy

Circumstances in which fees and charges for the occurrence of false alarms may be applied are governed by section 32D of the Act. The level of the applicable fees and charges is prescribed by the regulations and assessed in this RIS.

The need for cost recovery relates to the recuperation of costs of services provided by FRV in the case of false alarms that, to some extent, provide “private benefits to individuals, entities or groups, or reflect the costs their actions impose.”[[85]](#footnote-85) As discussed in sections 2.1.1, there is a need to recover costs in order to achieve efficiency and equity objectives for providing emergency attendance services by FRV.

According to the Victorian Government Cost Recovery Guidelines, the default position of government policy is *full cost recovery*, to ensure that both efficiency and equity objectives are met and to reduce fiscal pressure. Reducing the reliance on general tax revenue means that such revenue can be diverted to more appropriate uses in the economy. [[86]](#footnote-86)

### 2.3.1 Efficiency objective[[87]](#footnote-87)

Appropriate fees will ensure that scarce resources are put to their best uses in the economy and not wasted through frivolous activity. The requirement for the *efficient pricing* or appropriate ‘price signal’ of regulatory services (i.e. *allocative efficiency*) involves fees which reflect the costs of emergency attendance services in the case of false alarms, along with any consideration of additional costs and benefits (negative or positive third-party effects or *externalities*) this FRV service provides. This will ensure that those who value the emergency attendance for false alarms above the ‘efficient’ price will not be discouraged from managing and maintaining their alarm systems and that there is not an overutilisation of resources committed to emergency attendance services.

A false alarm call-out fee is applied only in circumstances where FRV has determined (as required by section 32D of the Act) that there has been no reasonable excuse for the false alarm being triggered. That is to say, under section 32D of the Act FRV is required to consider whether there was a reasonable excuse[[88]](#footnote-88) before being able to levy the call-out charge.

In setting the fee FRV needs to ensure that an efficient price signal is sent to the owner of the alarm system which states what it costs FRV to attend false alarm incidents and that, without a reasonable excuse, the owner would have to pay the full cost. With such an efficient price, the owner of the alarm system would understand the cost of false alarm attendances for FRV, and this incentivises owners to maintain their alarm systems to avoid having to pay this cost. Where alarm systems are properly maintained, their false alarms would only send a signal where there is a reasonable excuse.

There is a case for charging at less than full cost recovery for those services displaying positive externalities (third party benefits) where such services generate both private and public benefits. In the case of ‘real’ fire alarms, emergency attendances provide positive externalities or third-party benefits to society in that those who benefit from fire suppression activities are individuals in neighbouring properties, local traffic and businesses, and not just those requesting FRV services. Hence, in the instance of a real fire, FRV’s response is clearly a public good.

However, “fire…[emergency crews]…know only after the response whether there was a valid emergency, and thus are providing a public-good.”[[89]](#footnote-89) In contrast, the response of FRV to a ‘false’ fire alarm is a strictly private service, and it is not the responsibility of the public to finance such activity apart from premises such as state-owned hospitals, aged care facilities and prisons. These facilities are arguably the responsibility of the community generally. When a false alarm occurs, FRV’s response is clearly a private good and the community is neither positively or negatively affected by FRV’s attendance.

“Furthermore, such…response entails a social opportunity cost since…[emergency crews]…are withdrawn from other public services. When an alarm is falsely activated, no one else in the community derives any benefit from the response to the false alarm. Therefore, the community should not bear the cost.”[[90]](#footnote-90)

A ‘full cost recovery’ price, in the absence of any third-party effects, will encourage building owners, occupiers and owners’ corporations to proactively manage and maintain their automatic fire alarm systems[[91]](#footnote-91). Consequently, a departure from the full cost principle in terms of ‘efficiency’ is not justified.

### 2.3.2 Equity objective

The costs of emergency attendance services in the case of false alarms, as discussed in Section 2.1.1, need to be recovered “either from users or others who benefit from the good, service or activity; those whose actions give rise to it; or from taxpayers more generally.”[[92]](#footnote-92) In other words, fees would need to be *horizontally equitable* so that those who benefit from government activities, or those who contribute to the need for government regulation...[or services]… have to pay the associated costs. This avoids the situation where taxpayers have to pay some or all the associated costs regardless of whether or not they benefit from, or give rise to, the need for emergency attendance services as in the case of false alarms.

With this in mind, “the policy of not charging the full cost for false alarm response is inefficient and inequitable. Response to a false alarm is a private service for which the activator of the false alarm should pay.”[[93]](#footnote-93)

### 2.3.3 Effectiveness of fees

The effectiveness of fees is considered in the context of two possible unintended consequences of fees being set *too high* including:

* *Risk taking behaviour of circumvention of ‘monitored’ alarm signalling systems* through: rewiring; isolation of ASEs; or isolation of circuits/zones at the Fire Indication Panel (FIP) (see Figure 2 in this RIS), such that systems only provide a local alarm instead of alerting MFB; and
* *Legal and administrative costs of additional unmeritorious VCAT disputes* due to high fees including time demands on operational members.

#### 2.3.3.1 Risks taking behaviour of circumvention of ‘monitored’ alarm signalling systems

A monitored system is different to a local fire alarm system in that a “local fire alarm system may sound an audible alarm at the site and the alarm is indicated on the local fire indicator panel (FIP), but the alarm is not connected to the fire services”[[94]](#footnote-94). Properly managed and maintained ‘monitored’ alarm systems are critical to being able to ‘effectively’ alert FRV in the case of real emergencies, enabling them to undertake firefighting operations including:

* protecting life, preventing injuries: and
* protecting property and the environment, minimising damage caused by fire and other hazardous materials,

thus saving costs – time and money.[[95]](#footnote-95)

However, if ‘monitored’ alarm systems are circumvented (i.e. turning them from monitored systems into ‘local’ alarm systems) in an attempt to avoid false alarm charges, then the ‘effectiveness’ of such systems in the event of a real emergency is diminished through such risk-taking behaviour. In such a case, the owner’s behaviour may be guided by the principle *‘it will never happen to me’*, and reflects a similar risk preference as individuals who do not undertake sufficient insurance. Circumvention can occur through rewiring; isolation of ASEs (i.e. cutting of the signal to the monitoring company); or isolation of circuits/zones at the Fire Indication Panel (FIP).

Even at *current fees* planned circumvention of monitored alarms occurs. Anecdotal evidence from the MFB suggest that some businesses may deliberately circumvent their monitored alarm systems during specific times placing occupants at potential risk in the face of delayed response by FRV.[[96]](#footnote-96)

**Isolation of ASEs**

To isolate an ASE, the owner of an automated fire alarm system must have a building permit from a registered building surveyor and/or a reasonable excuse. The isolation of the ASE involves cutting of the signal to the monitoring company (See ASE in Figure 2 in this RIS). The isolation of ASEs can be monitored by FRV because of data provided by the monitoring company, allowing FRV can get oversight of this particular method of circumvention. Hence this method of circumvention is *less likely* to pose a risk to enabling FRV to undertake firefighting operations in real emergencies through delayed response.

In 2019 there were 525 instances of the entire ASE being isolated for 15 hours or more per day for 2 or more consecutive weeks[[97]](#footnote-97).

**Interference with the Fire Indicator Panel (FIP) – Circuit and Zone isolations**

Under section 75B in the Act it is an offence in Victoria (attracting a maximum fine of 60 penalty units[[98]](#footnote-98)) to damage or interfere with a fire indicator panel (including any action that causes the transmission of the signal to the fire services to be isolated, disconnected or disabled) without reasonable excuse.[[99]](#footnote-99)

Notwithstanding the aforementioned offence, the owner can keep the ASE connected and functioning but then isolate circuits or zones on the Fire Indicator Panel (FIP) – which is what talks to the ASE (see FIP in Figure 2 in this RIS). Under this scenario, an owner faced with the prospect of a *high false alarm charge* may have an incentive to interfere with the FIP. Hence this method of circumvention is *more likely* to pose a risk to enabling FRV to undertake firefighting operations.

**Rewiring**

Rewiring involves wiring the automated fire alarm system in such a way that interferes with the signal going from smoke or thermal detectors to a FIP or from a FIP, Valve Monitor Alarm, or a Sprinkler System going to an ASE (see Figure 2 in this RIS). In this way the owner again isolates their automated fire alarm system by either turning it into a local alarm or removing the automated alarm capability completely. As FRV would not have oversight of rewiring activities, this method of circumvention is *more likely* to pose a risk to enabling FRV to undertake firefighting operations.

Data analysis and audits undertaken by MFB, along with anecdotal feedback from operational staff, demonstrates that there is already a proportion of incorrectly wired ASEs in the community, although this has reduced following increased compliance efforts by MFB in recent times. Available data, while limited and indicative only, suggests that this could be in the order of 10 per cent of ASEs.

#### 2.3.3.2 Effect of circumvention of ‘monitored’ fire alarms

A delayed response to a real emergency caused by circumvention activities (interfering with the FIP or rewiring, in particular) by those wishing to avoid high false alarm charges, has the potential to result in the loss of life, injury, or damage to property and the environment. Looking at loss of life alone, according to the Office of Best Practice Regulation (OBPR), the value of statistical life (VOSL) which reflects an estimate of the financial value society places on reducing the average number of deaths by one, is worth $4.67 million[[100]](#footnote-100). Hence the result of just one death as a result of circumvention activities motivated by high fees would be associated with a VOSL of $4.67 million.

As an indicative illustration of the potential impact of circumvention activities, it is noted that the average cost of an adult burns patient in Australia is determined to be $81,435[[101]](#footnote-101) in 2019. Assuming that there were 10 additional burn victims per annum as a result of circumvention activities (i.e. risk taking behaviour in the face of high false alarm fees), this would result in an annual cost of $0.81 million per annum.

With respect to property and the environment, given the nature of large structures involved such as multi-story apartment complexes in Docklands, the impact of a circumvention and consequential delay in responding to a real emergency could have greater consequences including impacts on surrounding structures.

Of particular note is where property/building owners have used cheaper fire cladding, not rated to the appropriate fire standards. This risk-taking behaviour possibly could translate to attitudes and maintenance around monitored fire alarm systems. The key motivation will be around saving ongoing costs and such owners could also be influenced by high false alarm charges and might attempt to circumvent their systems.

In these cases, the likelihood of circumvention in the face of high false alarm charges might be low, however the consequences in term of loss of life, injury, property and the environment would be high. However, it is also important to note that there is currently no evidence of a causal link between a particular level of false alarm fees and circumvention. In these circumstances, arbitrarily reducing fees may result in increased risk, by causing a reduction in the proper maintenance of alarm systems (there being evidence of a causal link in this regard) *without reducing circumvention behaviour* (there being no evidence that reducing fees and charges will have an impact in this regard).

#### 2.3.3.3 Compliance and enforcement activity regarding incorrectly wired alarm systems

Having identified the risks associated with incorrectly wired alarm systems, MFB has been actively working with relevant industry stakeholders, owners of monitored buildings and fire services maintenance companies to improve compliance. MFB is engaged with regulatory bodies including the Victorian Building Authority, Municipal Building Surveyors, and key stakeholders including the CFA, and the Fire Protection Association of Australia to inform all stakeholders of the issues.

Advisory Notes and Bulletins have been issued to staff to ensure awareness and appropriate mitigation steps are able to be undertaken upon identification of incorrectly wired alarm systems. MFB has undertaken a number of internal and external media and communications campaigns to build community and industry awareness of the issue. MFB is also exploring methods of enforcement, and supports prosecution of individual owners and/or maintenance companies if owners have not rectified the significant safety issue. Preliminary data from this approach provided by the MFB has shown that over a recent 12 month period there has been a significant reduction in buildings in non-compliance with safety standards.[[102]](#footnote-102)

#### 2.3.3.4 Legal and administrative costs of additional VCAT disputes

An owner faced with a *high false alarm charge* could have a financial incentive to pursue a VCAT challenge rather than pay the charge, even where their case is unmeritorious. For example, for a small business challenging a claim by FRV at VCAT, the cost would be $947.80 for the application fee and an additional $518.40 per hearing day. For one and a half days of hearing this would amount to $1,985. For a complex case there would be around an additional fee of $3569.20. The total cost to an owner at VCAT would therefore be a maximum of around $5,553.80. The current fee of $578.48 per 15 minutes per appliance and assuming an average of 1.29 appliance hours (from dispatch to return to base) would mean an attendance cost for a false alarm of $2,984.97.

Hence it is already cheaper on average to go to VCAT under the current fee for simple cases, notwithstanding that this would be balanced by the risk of a failed appeal whereby VCAT and FRV charges would both have to be paid. As shown in Chart 1 in this RIS, in the period between 2004-05 and 2018-19 the level of VCAT attendances have ranged from 3 per year to 155 per year. A much higher fee could encourage further disputes at VCAT and is evident by the coinciding of the financial crisis in 2007-08 and VCAT attendances spiking to 155 in that financial year.

For FRV, defending a challenged fee would entail a daily rate of $555 for a lead operational representative[[103]](#footnote-103) with 1 day of preparation and 1.5 days of hearings plus an estimated $2000 for four hours of legal counsel assistance, providing a total estimated hearing cost of $3,387.49 for FRV. As an indicative illustration, if only 5 per cent of current owners of around 8,567 ASEs challenged FRVs fees, this would result in additional legal and administrative costs of around $1.45 million per annum[[104]](#footnote-104). However, the anticipated number of ‘actual’ additional VCAT challenges expected with a fee that is *too high* remains unknown.

Furthermore, notwithstanding the potential risk of a high fee leading to circumvention activities or risk of escalating legal and administrative costs of additional VCAT disputes, data is not currently available to determine what the threshold level of fees would need to be to result in an increase in these consequences. However, such consequences do occur even at the current fee. In summary, and in the face of high false alarm charges:

a) circumvention activities counter the objective of the fee which is to encourage better maintenance and management of monitored fire alarm systems; and

b) the potential for increased unmeritorious VCAT disputes adds additional administrative and legal costs to FRV operations.

As summarised in Table 17, the potential magnitude of unintended consequences where false alarm fees are set too high, might ‘reasonably’ be anticipated to be in the order of around $6.93 million per annum *not including* damage to property and the environment and loss of business productivity. There is also a cogent argument that setting false alarm attendance fees at too high a rate may incentivise, and thus contribute to, both circumvention activities and increase the proportion of respondents who elect to contest the charges levied against them in VCAT, despite having a weak or unmeritorious claim.

**Table 17: Indicative illustration of the potential annual cost of circumvention and VCAT challenges for FRV**

|  |  |  |  |
| --- | --- | --- | --- |
| **Category of cost** | **Estimated number per annum** | **Cost per unit** | **Total cost** |
| VOSL (death) | 1 | $4,665,336 | $4,665,336 |
| Burn injuries | 10 | $81,436 | $814,357 |
| VCAT challenges | 428 (i.e. 5% of 8,567 ASEs) | $3,387.49 | $1,451,033 |
| **Total estimated cost** |  |  | **$6,930,727** |

# Section 3: Specification of the desired objectives

Section 3 specifies the underlying policy objectives (i.e. the ends to be achieved by government rather than the means of achieving them) in relation to the identified problem/s. The objectives align with the principles outlined in the Department of Treasury and Finance’s Cost Recovery Guidelines about setting fees and charges.

As noted above, section 2 provides that the main purposes of the Principal Act are to:

* to provide for fire safety, fire suppression and fire prevention services and emergency response services in FRV district; and
* to establish Fire Rescue Victoria.

Furthermore, as noted above, section 7 of the Principal Act specifies the functions of FRV to include, to:

* provide for fire suppression and fire prevention services in FRV fire district;
* provide for emergency prevention and response services in FRV fire district;
* implement the fire and emergency services priorities of the Government of Victoria;
* provide operational and management support to CFA; and
* carry out any other functions conferred on FRV by or under this Act or any other Act.

In this context, it is important to protect the response capability of FRV. Dispatch of resources to alarms that turn out to be false alarms, impacts the capability of FRV to respond to genuine emergency incidents, with the consequent risk to public safety.

Having regard to this context, the requirement in section 32B of the Principal for relevant FRV units to proceed with all practical speed to an alarm of fire, and the need to solve the problems identified in section 2.1 of this RIS - the objectives of these regulations involve at trade-off between the need to:

* fund emergency attendance activities for false alarms in a way that encourages property owners to proactively manage and maintain their alarm systems; and
* equitably and efficiently recover the costs of false alarms from relevant property owners.

The first objective is a priority to ensure that the charges for false alarm attendance do not deter, or reduce the incentives for property owners to manage and maintain their alarm signalling equipment. This does not relate to emergency attendances for vessels, false reports, where hazardous and toxic materials are involved or the ‘catch all’ of special circumstances where there is infrequent activity and the objective, instead, ensures there is a price signal to incentivise responsible behaviour. The second objective is to ensure the total costs of emergency attendance due to false alarms in the absence of a reasonable excuse (anticipated to be approximately $56.36 million[[105]](#footnote-105) in 2019-20 – as shown in Chart 9) is recovered in an efficient and equitable way.

Current recovery through the FSPL is around $43.35 million[[106]](#footnote-106) and an estimated $13 million[[107]](#footnote-107) is recovered from owners of alarm systems by MFB and CFA integrated stations, as illustrated in Chart 9.

These policy objectives will be used to inform the MCA criteria for assessing proposed options for false alarm charges under proposed regulation 17(1)(a) and will need to strike a balance between these two objectives.

**Chart 9: Comparison of estimated false alarm costs and expected contribution to funding to false alarms in the absence of a reasonable excuse.**



# Section 4: Identification of viable options to achieve objectives

The following options are assessed in terms of their ability to achieve the objectives of the regulations and adhere to the principles of the Guidelines. As required by the *Victorian Guide to Regulation*, they are assessed in comparison to the ‘base case’ in which no fees are prescribed for false alarms under proposed regulation 17(1)(a) and in which it is assumed that all associated costs would be funded via general tax revenue, namely FRV revenue[[108]](#footnote-108), and in which:

* The costs of emergency attendance in the case of false alarms would be cross-subsidised[[109]](#footnote-109) by all taxpayers;
* Owners of alarm systems generating false alarm calls (roughly) who are deemed not to have a ‘reasonable excuse’ would not pay anything for an emergency attendance by an appliance, so the price would not be the efficient price of an appliance attending a false alarm; and
* False alarm attendances by appliances (in the absence of a reasonable excuse) would cost taxpayers around $57.04 million per annum (in 2020-21)[[110]](#footnote-110).

The viable options for this RIS are limited to different levels of cost recovery of fees including full or partial cost recovery, and the recovery of those fees from different parties (owners of alarm systems, or all taxpayers via general tax revenue).

Stratified fees are different fees which are set for various circumstances, such as firm size, industry type. Stratified fees were considered which at first glance appeared to be the approach in the ACT and South Australia (see Table 16). However, in South Australia, the fees for monitored alarm attendances are set by reference to the MFS Operating Procedures. These classify buildings according to the number of appliances needed if involved in fire because of their size, use and risk to life. It is not clear that this reflects an actual cost of a false alarm, or only a later assessment of the resources which could have been required had a fire occurred. For example, one appliance may be sent, but because the risk of injury to the public is greater in a larger building or one where people gather (such as a cinema), a larger fee is levied as additional deterrence. In South Australia, a higher emergency service levy is also applied to types of properties which historically create greater demand for resources, such as industrial premises.

In the ACT, in the case of a false alarm for a monitored alarm which is not excused, a fee is payable by either the resident of the home ($263.00) or in other instances by the provider of the automatic alarm network. In this way a greater disincentive to alarm failure is directed to a commercial enterprise where its commercial service fails, and a false alarm results. Importantly in Victoria according to the Act, FRV has the power to waive fees and therefore a degree of discretion is provided in relation to the emergency attendance fee. This is considered an important provision that needs to be protected. Due to these operational and legislative differences between SA and ACT, stratified fees were therefore not considered to be a viable option for Victoria within the current framework.

Consequently, the options to be considered as part of the cost benefit evaluation in this RIS include the following:

* ***Option 1:*** Full cost recovery fee set per appliance, per 15 minutes or on a part thereof basis *for false alarm attendances deemed not to have a ‘reasonable excuse’*. Specifically, Option 1 involves the ***quarterly hour full cost recovery fee of $2,510 per appliance*** and is calculated as a weighted amount representing current activities of MFB and CFA integrated stations[[111]](#footnote-111). Option 1 entails the recovery of approximately 46.09 per cent[[112]](#footnote-112) of total hours spent on ‘all’ false alarm attendances by appliances ‘with and without a reasonable excuse’ or, in other words, 100 per cent of costs where there is ‘no reasonable excuse’. The balance of total costs of false alarm attendance costs where a ‘reasonable excuse’ is provided (approximately $66.73 million as shown in Table 18) is to be funded from FRV revenue (see Table 1 in this RIS).

**Table 18: Summary of full cost recovery fee under Option 1 and annual revenue**

| **False alarm category** | **Total cost[[113]](#footnote-113)** | **Total**  **quarterly hour transactions[[114]](#footnote-114)** | **Fee[[115]](#footnote-115)** | **Annual revenue[[116]](#footnote-116)** | **Percentage of costs recovered** |
| --- | --- | --- | --- | --- | --- |
| ***Without*** reasonable excuse | $57,037,000 | 22,721 | $2,510.29 | $57,037,000 | ***100%*** |
| ***With*** reasonable excuse | $66,725,647 | N/A | N/A | N/A | N//A |
| **Total** | **$123,762,646** |  |  | **$57,037,000** | **46.09%** |

This fee is greater than the current fee of $578.48 (currently recovered by MFB) or $584.25 (currently recovered by CFA integrated stations). As shown in Table 18, Option 1 recovers approximately ***100 per cent*** of all costs incurred by false alarm attendances where it is determined by FRV that there is no reasonable excuse by charging owners of alarm systems 100 per cent of the quarterly hour cost of an appliance. Option 1, ‘full cost recovery’ is deemed to be the most efficient and equitable option with respect to setting the false alarm fee as discussed in detail in Sections 2.3.1 and 2.3.2 of this RIS.

* ***Option 2 (the proposed option):*** Partial cost recovery fee set per appliance, per 15 minutes or part thereof basis for false alarm attendances deemed not to have a ‘reasonable excuse’. Specifically, Option 2 involves the ***quarterly hour partial cost recovery fee of $578.48 per appliance*** - calculated as 23.04 per cent of the full quarterly hour cost of $2,510. This option involves the partial cost recovery of approximately 10.74 per cent[[117]](#footnote-117) of total hours spent on all false alarm attendances by appliances (see Table 19). The balance of total costs of false alarm attendance costs, estimated to be $110.47 million[[118]](#footnote-118), is to be funded from FRV revenue (see Table 2 in this RIS).

**Table 19: Summary of partial cost recovery fee under Option 2 and annual revenue**

| **False alarm category** | **Total cost[[119]](#footnote-119)** | **Total quarterly hour transactions[[120]](#footnote-120)** | **Fee[[121]](#footnote-121)** | **Annual revenue[[122]](#footnote-122)** | **Percentage of costs recovered** |
| --- | --- | --- | --- | --- | --- |
| ***Without*** reasonable excuse | $57,037,000 | 22,978 | $578.48 | $13,292,300 | 23.30% |
| ***With*** reasonable excuse | $66,725,647 | N/A | N/A | N/A | N//A |
| **Total** | **$123,762,646** |  |  | **$13,292,300** | **10.74%** |

This option has been chosen on the basis of considering both the need to recover costs at current levels, as well as, the need to *strike the right balance* between encouraging owners of alarm systems to proactively manage and maintain their systems, on one hand, and discouraging alarm circumvention and unmeritorious VCAT challenge activities by setting a fee that is too high, as discussed in Section 2.3.3 in this RIS. In addition, property owners already contribute to the cost of fire services through the FSPL.

Encouraging management in order to minimise:

* an inefficient use of FRV resources;
* complacency in the event of real emergencies;
* increased risk of accident and injury to firefighters and the general public as firefighters will attend under sirens and lights; and
* reduced response times to real emergencies due to diversions to attend false alarms.

Not discouraging management in order to minimise:

* the dangers to life, injury, property and the environment through the circumvention of an alarm system, so as not to notify FRV of an alarm; and
* the potential cost to FRV to if there is an increase in unmeritorious challenges at VCAT motivated by a fee that is too high.

In other words, it is considered that there is a threshold above which the efficiency and equity benefits of full cost recovery fees under Option 1 are outweighed by the potential costs and unintended consequences of circumvention and unmeritorious VCAT challenges (see detailed discussion in Section 2.3.3 in this RIS). *However, the threshold remains unknown* as there are no precedents for full cost recovery around false alarm charges and fees.

Whilst the consequences of going above the current fees of $578.48 for MFB $584.25 for CFA integrated stations are not clear, the potentially significant public safety risks and consequences associated with circumvention suggest that a precautionary approach is prudent. For this reason, the fee of $578.48 has been set according to the logic that it is close to current levels and this reduces the likelihood of any increased risk of circumvention and unmeritorious VCAT challenge; and reflects the current number of fee units and value of a fee unit likely to be assigned in 2020-21. This fee also reflects the fact that all property owners already contribute to the cost of fire services via the FSPL.

As shown in Table 19, Option 2 recovers approximately ***23.3 per cent*** of all costs incurred by false alarm attendances where it is determined by FRV that there is no reasonable excuse by charging owners of alarm systems 23.04 per cent of the quarterly hour cost per appliance.

* ***Option 3:*** *Partial cost recovery fee* set per appliance, per 15 minutes or part thereof basis for false alarm attendances deemed not to have a ‘reasonable excuse’ *with a maximum fee of $1,600 per attendance*. Specifically, Option 3 involves ***the quarterly hour partial cost recovery fee of $311 per appliance*** - calculated as 12.39 per cent of the full quarterly hour cost of $2,510 with a ***maximum attendance fee of $1,600*** based on 1.29 average appliance hours. Option 3 involves partial cost recovery of approximately 5.63 per cent[[123]](#footnote-123) of total hours spent on all false alarm attendances by appliances (see Table 20). The balance of total costs of false alarm attendance costs, estimated to be $116.79 million[[124]](#footnote-124), is to be funded from FRV revenue (see Table 2 in this RIS).

**Table 20: Summary of partial cost recovery fee with a maximum fee of $1,600 under Option 3 and annual revenue**

| **False alarm category** | **Total cost[[125]](#footnote-125)** | **Total quarterly hour transactions[[126]](#footnote-126)** | **Fee[[127]](#footnote-127)** | **Annual revenue[[128]](#footnote-128)** | **Percentage of costs recovered** |
| --- | --- | --- | --- | --- | --- |
| ***Without*** reasonable excuse | $57,037,000 | 22,431 | $310.88 | $6,973,337 | ***12.23%*** |
| ***With*** reasonable excuse | $66,725,647 | N/A | N/A | N/A | N//A |
| **Total** | **$123,762,646** |  |  | **$6,973,337** | **5.67%** |

Option 3 has been chosen on the basis of considering both the need to recover costs at current levels, as well as the need to *strike a ‘better’ balance* between encouraging owners of alarm systems to proactively manage and maintain their systems, on one hand, and guarding against unintended consequences in terms of potential alarm circumvention and unmeritorious VCAT challenge activities by setting a fee that is too high, as discussed in Section 2.3.3 in this RIS.

Option 3, represents a move away from full cost recovery (as compared to Option 2). However, as discussed in section 2.3.3.1 of this RIS, even at the current fees of $578.48 for MFB and $584.25 for CFA integrated stations, there is still a potential risk of circumvention.

For this reason, the fee of $311 with a maximum level of $1,600 has been considered according to the logic that this is likely to further reduce the likelihood of any risks of circumvention and unmeritorious VCAT challenges. That is to say Option 3, may reduce the incentive for rewiring as compared to the current fee of $578.48 per quarter hour or around $2,977 on average per attendance).

As shown in Table 20, Option 3 recovers approximately ***12.23 per cent*** of all costs incurred by false alarm attendances where it is determined by FRV that there is no reasonable excuse by charging owners of alarm systems 12.39 per cent of the quarterly hour cost per appliance with a maximum fee of $1,600.

* ***Option 4:*** Partial cost recovery *fixed fees of $1,600* per false alarm attendance where they are deemed not to have a ‘reasonable excuse’. Option 4 results in a partial cost recovery of approximately 5.77 per cent[[129]](#footnote-129) of total hours spent on all false alarm attendances by appliances (see Table 21)). The balance of total costs, estimated to be $116.62 million[[130]](#footnote-130), for false alarm attendances where a ‘reasonable excuse’ is provided, is to be funded from FRV revenue (see Table 2 in this RIS).

**Table 21: Summary of partial cost recovery fee under Option 4 and annual revenue**

| **False alarm category** | **Total cost[[131]](#footnote-131)** | **Total transactions (attendances)[[132]](#footnote-132)** | **Fee[[133]](#footnote-133)** | **Annual revenue[[134]](#footnote-134)** | **Percentage of costs recovered** |
| --- | --- | --- | --- | --- | --- |
| ***Without*** reasonable excuse | $57,037,000 | 4,466 | $1,600.00 | $7,146,165 | ***12.53%*** |
| ***With*** reasonable excuse | $66,725,647 | N/A | N/A | N/A | N//A |
| **Total** | **$123,762,646** |  |  | **$7,146,165** | **5.77%** |

As with Options 2 and 3, Option 4 involves partial cost recovery of emergency attendances for false alarms deemed by FRV not to have a ‘reasonable excuse’ only. The fixed fee option mirrors the fee setting practices in other jurisdictions (see Table 16). The fixed partial cost recovery fee of $1,600 per attendance represents 12.39 per cent of the full attendance cost of $12,909[[135]](#footnote-135). As with Option 3, the proportion of cost recovery has been set to *strike a ‘better’ balance* between encouraging owners of alarm systems to proactively manage and maintain their systems whilst discouraging circumvention and VCAT challenges from fees that are too high.

As shown in Table 21, Option 4 recovers approximately ***12.53 per cent*** of all costs incurred by false alarm attendances where it is determined by FRV that there is no reasonable excuse by charging owners of alarm systems 12.39 per cent of the fixed attendance cost per attendance per appliance.

Table 22 summarises the individual fees and estimated 10-year fee revenue in present value dollars[[136]](#footnote-136) for all the options including a comparison with current fees.

**Table 22: Summary of fees and estimated 10-year fee revenue in 2019-20 present value dollars[[137]](#footnote-137)**

| **Fee category** | **Total 10-year revenue** |
| --- | --- |
| **Current** partial cost recovery quarterly hour fee of **$578.48** (for MFB) and **$584.25** (for CFA) | **$121,971,047** |
| **Option 1** full cost recovery quarterly hour per appliance fee of **$2,510.29** | **$510,541,325** |
| **Option 2** partial cost recovery quarterly hour per appliance fee of **$578.48** | **$121,398,804** |
| **Option 3** partial cost recovery quarterly hour per appliance fee of **$310.88** with a maximum attendance fee of **$1,600** | **$63,685,186** |
| **Option 4** partial cost recovery per fixed attendance fee of **$1,600.00** | **$65,263,565** |

# Section 5: Costs and benefits of the options

The costs and benefits of the proposed options are considered relative to the ‘base case’ of no regulations and the continued operation of other related legislation, as identified in Section 2.3.2 of this RIS. Discounted[[138]](#footnote-138) quantitative estimates of costs have been made over the life of the proposed regulations or other options in conjunction with qualitative criteria regarding the achievement of the policy objective. Qualitative efficiency, equity and effectiveness criteria are applied to a *Multi-Criteria Analysis (MCA)*.

## 5.1 The assessment of costs and benefits

This section undertakes an assessment of the costs and benefits of the proposed regulations and options by discussing each option in terms of its expected incidence and distribution of costs and benefits, relative to the ‘base case’ (defined in Section 2.3.2 of the RIS). A comparison of fees amongst each of the Options (1 to 4) is provided in this section. The evaluation of the relative benefits and costs each option has been conducted in relation to how well the policy objectives identified in Section 3 of this RIS are likely to be achieved and how well the option adheres to the principles of the Guidelines. The following criteria and weightings in Table 23 have been used to assess the ability of options to meet the policy objective and are applied to the MCA:

**Table 23: Criteria to be used for MCA**

| **Criterion** | **Description** | **Weighting** |
| --- | --- | --- |
| **Efficiency** | Price of emergency attendance service reflects the true value of services in terms of the costs of providing the service and the benefits it provides. Options with more efficient prices which allocate resources more efficiently to false alarm attendances (compared to the base case) receive a higher score | 20% |
| **Equity** | Measures the scale and nature of any cross-subsidisation from one group to another. Options with smaller or more equitable cross-subsidies between groups (compared to the base case) receive a higher score. | 20% |
| **Effectiveness** | Options that could incentivise alarm owners to ‘localise’ their ‘monitored’ alarm systems (i.e. circumvention) or lead to additional administrative costs to FRV through unmeritorious VCAT challenges, receive a lower score. | 60% |

The assigned weights of 20 per cent for efficiency, 20 per cent for equity and 60 per cent for effectiveness reflects the high-level priority on the public goods to that the regulations seek to achieve, in terms of encouraging owners to proactively manage and maintain their alarm systems. This assignment of weightings emphasises that the focus of the fee as an instrument for maintaining positive behaviour, and recognises the risks of circumvention and unmeritorious VCAT challenges – rather than just the need to set efficient and equitable pricing signals in relation to false alarms. This is the critical factor in balancing outcomes in favour of public safety.

Each option will be scored against each of the aforementioned criteria on a scale of -5 to +5 with the base case reflecting a score of ‘0’ as it reflects the situation that will occur in the absence of regulations (with the interim regulations set to expire on 18 October 2020). Each option is scored relative to the base case score of ‘0’. The critical issue is that under the base case, the Fire Rescue Commissioner would continue to be required (as per the Act) to determine the operational response to an alarm of fire and requires specified fire fighters to attend an alarm of fire with “all practical speed”.

### 5.2 Efficiency criterion – analysis of options

The efficiency criterion reflects both the cost of production, as well as, the public benefits associated with emergency attendances as discussed in section 2.3.1 under the efficiency criterion heading. As discussed in section 2.3.1, a departure from the full cost principle is not justified and false alarm attendances confer strictly private benefits. Charging full cost recovery incentivises owners of alarm systems to maintain their systems and reduces the overutilisation of FRV resources in attending false alarms.

The base case is a point of comparison for all other options and is therefore awarded a score of *+0*.

**Option 1** represents full cost recovery ($2,510.29) and the most efficient price, and is therefore awarded a score of *+5*. The full cost recovery fee under Option 1 reflects the true value of false alarm attendances, to FRV. Option 1, ‘full cost recovery’ is deemed to be the most efficient option with respect to setting the false alarm fee as discussed in detail in Section 2.3.1 of this RIS.

**Option 2**, partial cost recovery ($578.48) and remaking the current fee, which represents the recovery of only 23.04 per cent of the full quarterly hour cost of $2,510.29, sends a price signal to owners of alarm systems seeking attendance of appliances (where no reasonable excuse has been provided), albeit not an efficient one, as it fails to consider the private benefit to owners of alarm systems. Based on the proportion of recovery, Option 2 is awarded a score of *+1.15*[[139]](#footnote-139) as compared to the base case.

**Option 3**, partial cost recovery ($310.88) with a maximum attendance fee of $1,600, represents the recovery of only 12.39 per cent of the full quarterly hour cost of $2,510.29. Option 3 sends a price signal to owners of alarm systems seeking attendance of appliances (where no reasonable excuse has been provided), albeit not an efficient one, as it fails to consider the private benefit to owners of alarm systems. Moreover, around 349 attendances in 2018-19 involved greater than the average 1.29 appliance hours as illustrated in Chart 10 and Table 24. The maximum attendance fee under Option 3 does not provide an efficient price signal to those requiring more than the average of 1.29 appliance hours per attendance for false alarms - reflecting 7.83 per cent[[140]](#footnote-140) of the numbers invoiced/attendances (see Table 24). Therefore, Option 3 is awarded a score of *+0.57[[141]](#footnote-141)* as compared to the base case.

**Chart 10: Distribution of average appliance hours and numbers of attendances invoiced**

Data supplied by MFB

**Table 24: Distribution of appliance hours per number invoiced – 2018-19**

| **Appliance hrs charged per invoice** | **Number invoiced** | **% of total invoiced** |
| --- | --- | --- |
| 0.25 | 82 | 1.84% |
| 0.25 | 437 | 9.80% |
| 0.49 | 352 | 7.89% |
| 0.50 | 1019 | 22.85% |
| 0.74 | 326 | 7.31% |
| 0.75 | 987 | 22.13% |
| 0.98 | 163 | 3.65% |
| 1.00 | 461 | 10.34% |
| 1.23 | 86 | 1.93% |
| 1.25 | 198 | 4.44% |
| 1.47 | 50 | 1.12% |
| 1.50 | 113 | 2.53% |
| 1.72 | 21 | 0.47% |
| 1.75 | 45 | 1.01% |
| 1.97 | 9 | 0.20% |
| 2.00 | 36 | 0.81% |
| 2.12 | 1 | 0.02% |
| 2.21 | 8 | 0.18% |
| 2.25 | 16 | 0.36% |
| 2.46 | 10 | 0.22% |
| 2.50 | 11 | 0.25% |
| 2.70 | 3 | 0.07% |
| 2.75 | 4 | 0.09% |
| 2.95 | 2 | 0.04% |
| 3.00 | 5 | 0.11% |
| 3.12 | 1 | 0.02% |
| 3.20 | 3 | 0.07% |
| 3.25 | 2 | 0.04% |
| 3.50 | 1 | 0.02% |
| 3.75 | 2 | 0.04% |
| 3.93 | 2 | 0.04% |
| 4.25 | 2 | 0.04% |
| 4.42 | 1 | 0.02% |
| 5.16 | 1 | 0.02% |
| **Total** | **4,460** | **100.00%** |

Data supplied by MFB

**Option 4**, as with Option 3, recovers 12.39 per cent of attendance with a fixed fee ($1,600) and fails to adequately consider the private benefits of attendance services to owners of alarm systems. However, Option 4 is even more inefficient than Option 3 as compared to the base case. This is because a fixed attendance fee does not provide an efficient price signal to anyone requiring *less than or more than* the average of 1.29 appliance hours per attendance for false alarms. As shown in Table 24, the fixed fee reflecting the ‘average’ appliance time of 1.29 hours or fixed fee approximates the right price signal for those invoiced for around 1.25 hours or 198 attendances (4.44 per cent of all attendances). For the remainder of attendances (95.96 per cent of all attendances) and notwithstanding the lower cost recovery amount, the fixed fee is even less likely to reflect the right price signal. Therefore, the score is adjusted downwards by 95.96 percent. For this reason, Option 4 is therefore awarded a score of *+0.03*[[142]](#footnote-142) as compared to the base case.

## 5.2 Equity criterion – analysis of options

The discussion of equity in this RIS deals with the consideration of cross subsidisation. Under the base case general taxpayers would need to contribute to funding *all of* emergency attendances for false alarms without reasonable excuses (see Table 2 in this RIS), in addition to other fire services provided by FRV. Hence the taxpaying community of around 6.5 million Victorians[[143]](#footnote-143), would pay for such services to an amount of around $57.04 million per annum, or in other words around $8.78 per person. The base case is awarded a score of +0.

**Option 1**, which involves no appropriation and raising $57.04 million from owners of alarm systems, is arguably the most equitable as compared to the base case, as only alarm owners who give rise to the need for FRV false alarm attendances (where no reasonable excuse is provided) would pay for such services. Option 1 is therefore awarded a score of *+5*. Option 1, ‘full cost recovery’ is deemed to be the most equitable option with respect to setting the false alarm fee as discussed in detail in Section 2.3.2 of this RIS.

**Option 2**, which raises around $43.74 million from taxpayers and $13.29 million from owners of alarm systems, is an improvement on equity grounds, as compared to the base case, as owners would have to start paying for parts of the services received with respect the attendance of false alarms without a reasonable excuse. As the amount recovered through fees is roughly 23.04 per cent of the cost of attendances of false alarms without a reasonable excuse, Option 2 is awarded a score of *+1.15*[[144]](#footnote-144) for equity.

**Option 3**, which raises around $50.06 million from taxpayers and $6.97 million from owners of alarm systems, is an improvement on equity grounds, as compared to the base case, as owners would have to start paying for parts of the services received with respect the attendance of false alarms without a reasonable excuse – however less than under Option 2.

As the amount recovered through fees is roughly 12.39 per cent of the cost of attendances of false alarms without a reasonable excuse, Option 3 is awarded a lower score. Moreover, a maximum attendance fee reflecting 1.29 hours of attendance means an additional cross-subsidisation of those requiring more than the average of 1.29 appliance hours (i.e. 7.83 per cent of attendances[[145]](#footnote-145)) by taxpayers. In this case broader society would cross-subsidise those that require more than 1.29 appliance hours. Subsequently, Option 3 is awarded a score of *+0.57[[146]](#footnote-146)* as compared to the base case.

**Option 4**, which involves a per attendance fee, raises around $49.89 million from taxpayers and $7.15 million from owners of alarm systems, with the amount recovered through fees to be roughly 12.39 per cent of the cost of attendances of false alarms without a reasonable excuse, as with Option 3. However, unlike Option 3, the fee would be payable per attendance only rather than a mix of per quarterly hour and a maximum attendance fee. Given that the fixed fee reflects around 1.29 appliance hours per false alarm attendance (4.44 per cent of attendances), owners of false alarms requiring less than the average appliance hours (87.74 per cent of attendances) would end up cross-subsidising those that require more than the average appliance hours (7.83 per cent of attendances) - as shown in Table 24. In this case a smaller group in society would cross-subsidise those that require more than 1.29 appliance hours. For these reasons, Option 4 is awarded a score of *+0.08*[[147]](#footnote-147) as compared to the base case.

## 5.3 Effectiveness criterion – analysis of options

For each of the options, with regards to the incentivisation of alarm owners to circumvent their ‘monitored’ alarm systems and undertake additional, unmeritorious VCAT challenges, the base case is awarded a +0. However, it is important to note that there is no there is no causal evidence linking the current false alarm fees with the aberrant behaviour of circumvention, or to suggest that it incentivises unmeritorious VCAT claims and setting a maximum fee may have not impact in terms of reducing unintended consequences.

**Option 2**, while under current fees a measure of circumvention occurs, no definitive evidence is available regarding a causal link between false alarm fees and this aberrant behaviour. Nonetheless, for the purpose of this analysis Option 2 may be assumed to be likely to result in some incentivisation of alarm owners to circumvent their alarm systems or result in a degree of additional unmeritorious VCAT challenges as compared to the base case (where no fee is charged) however this effect is likely to be limited. Therefore, Option 2 is awarded a score of *-0.69[[148]](#footnote-148)* for effectiveness.

**Option 3** is likely may result in some incentivisation of alarm owners to circumvent their alarm systems or result in additional unmeritorious VCAT challenges as compared to the base case (where no fee is charged) however this effect is likely to be limited and less than under Option 2 in that the fee under Option 3 is roughly half of the fee under Option 2. Moreover, given the maximum attendance fee under Option 3 reflecting an average 1.29 appliance hours, and the fact that 7.83% of invoices apply to instances above this average - there may be some further reduction in demand for circumvention and VCAT challenges. Given the halving of the fee under Option 3, as compared to Option 2, and a maximum fee, Option 3 is awarded a score of *-0.23[[149]](#footnote-149)* for effectiveness.

**Option 4** is may result in *some* incentivisation of alarm owners to circumvent their alarm systems and additional unmeritorious VCAT challenges, and particularly those owners requiring less than 1.29 hours of required attendance by appliances who are nonetheless charged a higher fixed fee reflecting more time spent than actual – reflecting 87.74% of invoices charged (see Table 24 in this RIS). This would be offset by those above an average 1.29 appliance hours – reflecting 7.83% of invoices charged – who would face smaller incentives to circumvent their alarm systems and undertake additional VCAT challenges. Therefore, Option 4 is awarded a score of *-0.45[[150]](#footnote-150)*.

**Option 1** is likely to incentivise *more* alarm owners to circumvent their alarm systems and undertake unmeritorious VCAT challenges than the base case and as compared to Options 2, 3 or 4. The concern here is that anything other than a relatively small increase in the fee could result in serious unintended consequences and costs from circumvention and unmeritorious VCAT challenges. For example, the anticipated cost of such consequences could be *up to* $7.82 million per annum (see Table 17 in this RIS). Given that the level of fees recovered per quarterly hour are 4 times higher than those under Option 2 (current fees), Option 1 is provided a score of *-2.74[[151]](#footnote-151)* as compared to the base case. That is to say it is assumed that the risk is of circumvention and unmeritorious VCAT challenges is four times as likely under Option 1 than Option 2 and that there is a positive linear[[152]](#footnote-152) relationship between false alarm charges and the rate of circumvention. This is an assumption that reflects the limitations of data around the relationship between demand for circumvention and VCAT challenges and higher fees (than current) but that nonetheless reflects the concern of FRV of charging much higher fees.

A summary of the analysis of options according to the aforementioned criteria is provided in Table 25.

**Table 25: Summary and comparison of options against criteria of efficiency, equity and effectiveness**

| **Base Case/**  **Option** | Emergency attendance[[153]](#footnote-153) cost is covered by | **Efficiency**  (Emergency attendance services[[154]](#footnote-154)) | **Equity**  (cross subsidisation) | **Effectiveness**  (Incentivises circumvention and unmeritorious VCAT challenges) |
| --- | --- | --- | --- | --- |
| Base Case | General revenue | False alarm attendances underpriced-overconsumed | All alarm owners cross subsidised by taxpayers | No - potential incentive to circumvent or make unmeritorious VCAT challenges |
| **Option 1**  (full cost recovery *($2,510)* per qtrly hr per appliance) | Emergency attendance fees | Priced – states true value of false alarm attendances to owners of alarms | No cross subsidisation | Yes - some potential incentive to circumvent or make unmeritorious VCAT challenges, though causality not established |
| **Option 2**  (partial cost recovery *($578)* per qtrly hr per appliance) | Emergency attendance fees and general revenue | Priced – understates true value of false alarm attendances to owners of alarms | Some cross subsidisation of owners by taxpayers | Yes - Incentive to circumvent/challenge potentially < Option 1 |
| **Option 3**  (partial cost recovery *($311)* per qtrly hr per appliance and a maximum attendance fee of *$1,600*) | Emergency attendance fees and general revenue | Priced – understates true value of false alarm attendances to owners of alarms | Some cross subsidisation of owners by taxpayers | Yes - Incentive to circumvent/challenge potentially < Option 2 |
| **Option 4**  (partial cost recovery *($1,600)* per attendance) | Emergency attendance fees and general revenue | Priced – understates true value of false alarm attendances to owners of alarms | Some cross subsidisation of owners by taxpayers and of owners requiring > 1.29 hrs attendance by those requiring < 1.29hrs | Yes - Incentive to circumvent/challenge potentially > Option 3 |

The overall scores and comparison of options against the base case using the MCA is summarised in Table 26.

**Table 26: Multi-Criteria Analysis (MCA)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Efficiency | Weighting  20% | Equity | Weighting 20% | Effectiveness | Weighting 60% | **Total weighted score** |
| **Option** | **Score** | **Weighted score** | **Score** | **Weighted score** | **Score** | **Weighted score** |  |
| Base Case | +0.00 | **+0.00** | +0.00 | **+0.00** | +0.00 | **+0.00** | ***+0.00*** |
| Option 1 | +5.00 | **+1.00** | +5.00 | **+1.00** | -2.00 | **-1.20** | ***+0.80*** |
| Option 2 | +1.15 | **+0.23** | +1.15 | **+0.23** | -0.05 | **-0.30** | ***+0.16*** |
| Option 3 | +0.57 | **+0.11** | +0.57 | **+0.11** | -0.23 | **-0.14** | ***+0.09*** |
| Option 4 | +0.03 | **+0.01** | +0.08 | **+0.02** | -0.45 | **-0.27** | ***-0.25*** |

As shown in Table 26, *Option 1 provides the highest weighted score of +0.8* and Option 2 (the proposed option with current fees) provides the second highest score of *+0.16*. Option 3 provides the third highest score of *+0.09*. Option 4 provides *the lowest ‘negative’ weighted score* of -*0.25*. Therefore, on the basis of MCA results alone, *Option 2, the proposed regulations[[155]](#footnote-155),* *is not necessarily the best option* given the criteria of efficiency, equity and effectiveness combined.

## 5.4 Sensitivity analysis

On the other hand, a sensitivity analysis is also conducted on the weightings for efficiency, equity and effectiveness to look at the impact on relative scores and maintaining the raw scores as they are in Table 26. The sensitivity scores are summarised in Table 27.

**Table 26: Summary of sensitivity scores for Options 1 to 4**

| **Option** | **Efficiency 10%**  **Equity 10%**  **Effectiveness 80%** | **Efficiency 14.3%**  **Equity 14.3%**  **Effectiveness 71.4%** | **Efficiency 15%**  **Equity 15%**  **Effectiveness 70%** | **Efficiency 16.2%**  **Equity 16.2%**  **Effectiveness 67.6%** | **Efficiency 25%**  **Equity 25%**  **Effectiveness 50%** | **Efficiency 33.3%**  **Equity 33.3%**  **Effectiveness 33.3%** |
| --- | --- | --- | --- | --- | --- | --- |
| ***1*** | -0.60 | ***+0.00*** | ***+0.10*** | ***+0.27*** | ***+1.50*** | ***2.67*** |
| **2** | -0.17 | -0.03 | -0.01 | **+0.04** | **+0.33** | **0.60** |
| ***3*** | ***-0.07*** | ***+0.00*** | **+0.00** | +0.03 | +0.17 | 0.30 |
| 4 | -0.35 | -0.31 | -0.30 | -0.29 | -0.20 | -0.12 |

Changing the weightings above as shown in Table 26 shifts the emphasis away from ‘effectiveness’ and concerns around the incentivisation of circumvention and unmeritorious VCAT challenge activities through high fees toward efficiency and equity. The change in the weights alters the ranking of options with Option 3 providing the lowest negative score where effectiveness is given a priority of 80 per cent. At a threshold weighting of 71.4 per cent for effectiveness, Options 1 and 3 both provide higher scores and at 70 percent with Option 3 providing the second highest score. However, with effectiveness given a threshold priority of 67.6% or less, Option 2 provides the second highest score ahead of Option 3.

*Given:*

*a) the unknown but potentially very serious nature of unintended consequences and lack of data over the threshold fee driving circumvention activities and increased unmeritorious VCAT challenges;*

*b) the uncertainty around the weighting given to unintended consequences (the effectiveness criteria);*

*c) the desire of FRV to avoid the ‘risk’ of such consequences and consideration of alternative mechanisms for addressing rewiring issues as there is no real assurance that reducing fees will actually affect rewiring rates;*

*d) the proven effect in incentivising proactive steps to maintain and manage alarm systems; and*

*e) reduction from full cost recovery is defensible from an equity point of view given that property owners already make a contribution to the cost of fire services through the FSPL.*

***– Option 2 based on current fee units is selected as the preferred option based on a conservative approach.***

# Section 7: Impact on small business

The proposed emergency attendance fee (proposed regulation 17((a)) affects owners of alarm systems however the distribution of small[[156]](#footnote-156) and large[[157]](#footnote-157) businesses/properties affected remains unknown. That is to say, MFB data management processes do not currently capture the size of the business being invoiced. However, MFB notes that large businesses/properties including universities and hospitals make up the ‘top 20’ in terms of false alarm calls due their high representation of ASE ownership[[158]](#footnote-158). Given that the proposed quarter hourly rate per appliance is $578.48 and that on average there are 1.29[[159]](#footnote-159) hours spent by appliances during an attendance – a cost of around $2,977 would be incurred on average per attendance (see Section A3.3.1. of Appendix 3). Taking an average of 1.4 calls per ASE per annum (see Chart 5 in this RIS) – this would result in an average estimated annual cost of around $4,168 per ASE. Given that large businesses/properties have a higher representation of ASEs this average of 1.4 calls per ASE is likely to be even smaller for small businesses. Moreover, given that the proposed option, Option 2, is below full cost recovery this further reduces the potential impact on small business as does the fact that there is not fixed fee as with Option 4.

Smaller businesses, such as neighbourhood shops, provide for an annual turnover of at least $300,000 per annum[[160]](#footnote-160) (a conservative estimate). The average annual cost of false alarm charges of around $4,168 per ASE is unlikely to represent more than 1.4 per cent of such a revenue. In this context, a one-off false alarm charge is likely to be absorbed by any small business and is unlikely to represent a significant proportion of their annual business costs. An exception would be the case where a small business’s alarm system is repeatedly being activated due to continuous poor management or maintenance practices by the owner.

However, it is important to note that each case for charging is assessed against a range of factors before an invoice is sent. In many instances, if the site in question can prove that they will make improvements to their system or put better procedures in place to reduce the likelihood of future false alarms occurring at their premises, FRV will ‘excuse’ the charge (s.66A(2) of the Act) and give them the opportunity to use those funds to implement false alarms reduction strategies. The overarching philosophy and objective of FRV is to reduce false alarms.

In the case of proposed regulation 18, which deals with additional costs for dealing with hazardous materials or toxic fires, it is not likely that fees would have a disproportionate impact on small businesses given that such small businesses are unlikely to be involved ‘disproportionately’ with such incidents. Moreover, fees will vary depending on the nature/extent of the incident.

In the case of proposed regulation 19, property protection or loss mitigation service fees are set administratively by FRV as it sees fit and are not applied in a pre-determined ongoing way. More importantly, this fee applies to the situation where FRV needs to arrange an agreement with any person to provide property protection or loss mitigation services, however this is typically the case involving large businesses/properties. Therefore, it is unlikely that proposed regulation 19 will affect small businesses disproportionately.

Proposed regulation 20 applies to road accident services and not businesses.

Finally, the proposed regulation 21 which seeks to prescribe a charge of $148.10 for the first hour and $27.03 for every quarter after thereof (excluding GST) for fire protection services is unlikely to represent a significant proportion of annual turnover for small business even with around up to 8 hours[[161]](#footnote-161) of work (i.e. $904.94 total cost).

# Section 8: Competition Impact

According to Victorian guidelines[[162]](#footnote-162) it is necessary as part of the assessment in this RIS to:

* Identify the market/s affected by the proposed regulations; and
* Identify whether the proposed regulations contain as restriction on competition.

As discussed in Appendix 4, the non-fee regulations are not expected to have any material burden and especially on markets. However, a wide array of markets come under proposed fee regulation 17 and in the case of businesses that have fire alarm systems. However, keeping in line with the discussion of impacts on small business in Section 7 of this RIS, proposed fee regulation 17(1)(a) is highly unlikely to have an impact on the number or size of participants in relevant markets, including neighbourhood shops or make it difficult for new firms or individuals to enter the various industries. The proposed emergency attendance fee (proposed regulation 17(1)(a)) is not expected to affect the costs of a business (even small business) sufficiently or in an ongoing way as to create any significant impact on competition including any barriers to entry. As discussed in Section 7, even in the case of smaller businesses with an annual turnover of $300,000, proposed regulation 17(1)(a) is not likely to represent more than 1.4 per cent (i.e. assuming a maximum estimated annual cost of around $4,168 per ASE).

With respect to fire protection related charges, the proposed regulation 21 is again unlikely to have an impact on competition given that a ‘high end’ type transaction would be around $904.94 for around 8 hours of fire protection services offered by FRV (which would not be typical).

# Section 9: Description of the effect of the preferred option

## 9.1 Effects of fee regulations

The preferred option, Option 2, involves remaking the existing sunsetting quarterly hour fee of $578.48 (39.06 fee units) on 1 July 2020. Specifically, under proposed regulation 17(1)(a), the prescribed fee for emergency attendance for false alarms under the Act will have no significant impacts on small business or competition under the preferred option, as outlined in sections 7 and 8 of this RIS. The impact on current estimated revenue of around $121.97 million over 10-years in present value dollars is expected to be slightly negative over 10 years with an estimated $121.4 million[[163]](#footnote-163) to be collected in false alarm charges under the proposed fee.

Fees to be set under proposed regulations 17(1)(b) to 17(1)(e), covering false reports, vessels, hazardous and toxic materials, and a ‘catch all’ of special circumstances, respectively will be maintained at 39.06 fee units. This is expected to have a minimal impact in terms of very infrequent or negligible occurrences and with only around $0.34 million of charges collected in 2018-19 for regulation 17(1)(d) – for 6 invoices/incidents involving hazardous and toxic materials. Proposed regulation 17(1)(d) is expected to have a negative impact in relation to the costs of attending hazardous and toxic material incidents as fee units based on current levels would only recover 23.04 per cent of the full cost of attendance. However, it is important to note that additional charges for incidents involving hazardous and toxic materials would be set administratively and could be recovered under proposed regulation 19. Ultimately, the aim of maintaining the fee units to current levels will be to prevent an increase in careless behaviour in relation to false reports, vessels, hazardous and toxic materials and special circumstance notwithstanding their infrequent occurrences which FRV anticipates with the lowering of any fees.

Proposed regulation 21 will provide the power to set fees and charges administratively for the following:

a) statutory fire protection services[[164]](#footnote-164) (currently being charged by MFB under the *Building Act 1993* at a fee of $121[[165]](#footnote-165) per hour (excl GST)):

* reports in relation to an application for a building permit; and
* reports in relation to an application for an occupancy permit

and

b) various currently *non-billable* functions to be taken by FRV in future including those with respect to:

* *Dangerous Goods:* Reports or letters of advice with regards to placarding; fire protection; emergency procedures; explosives; major hazard facility;
* *Building Codes and Audits:* a) Letters of Advice (and pre application review) with regards to general fire protection correspondence (includes pre application conceptual design review) and b) inspections of buildings, fire protection systems and perimeter access roads, as well as, c) Building Appeals Board (BAB) referrals (Section 160 & 160A advice to the BAB);
* *Community Safety Technical Department:* a) reports including the Fire Engineering Brief referrals - IFEG 2005 Stakeholder Consultation; and Fire Engineering Report referral and review; and b) inspections of buildings, MHFs, fire protection infrastructure and perimeter access roads; and
* *Building Inspection and Compliance:* Place of Public Entertainment inspection (Joint inspection request by municipality issuing Occupancy Permit)

The proposed regulations are substantively the same as the current requirements. However, it is proposed to incorporate proposed regulation 21 for fire protection charges to align with CFA regulation 100 and allow fire protection costs to be set administratively. The charges will reflect the Residential Tenancies (Caravan Parks and Moveable Dwellings Registration and Standards) Regulations 2010. Proposed regulation 21 will allow for a charge of $148.10 for the first hour and $27.03 for every quarter after thereof (excluding GST) for fire protection services to be set administratively with a 10-year present value revenue estimated to be $8.96 million[[166]](#footnote-166) which is an increase from the 10-year revenue of $4.07 million[[167]](#footnote-167) estimated for the current fee of $121 plus GST and which covers BCA services only.

It is the intention to remake the other fee regulations and replace them in the proposed regulations. These will include proposed fee regulations 18, 19 and 20.

Proposed regulation 18 will set additional fees for emergency attendances at hazardous materials or toxic fire incidents. These fees are for any additional costs incurred by MFB when attending these incidents, including cleaning, repairing and/or replacing protective equipment, hiring additional equipment, obtaining specialised advice and use of consumable products. Over three years 2012-13 to 2014-15, MFB spent an average 1,524 appliance hours in responding to an average of 737 hazardous material calls.

Proposed regulation 19 will enable FRV to provide property protection or loss mitigation services, and to set the fees for these services (rather than prescribing the fees in the regulations). This proposed regulation will include updated terminology.

Proposed regulation 20 will enable FRV to charge the Transport Accident Commission (TAC) or the Victorian WorkCover Authority (VWA) for attending road accidents.

## 9.2 Effects of non-fee regulations

Proposed non-fee regulations 1 to 5 will cover the objective, authorizing provision, commencement and definitions (i.e. machinery).

Proposed non-fee regulation 6 will prescribe requirements in relation to the insignia of FRV that only persons acting in the lawful execution of a power conferred by the Act or Regulations and any property used for the purposes of the Act or regulations may use the insignia of FRV in schedule 1.

A number of the proposed non-fee regulations will focus on employment and management issues.

Proposed regulation 7 will define continuous service as service with FRV where long service leave/pay in lieu has not been granted; commencing not more than 4 weeks from termination (or determination by FRV for special circumstances); and includes period of war service in the Australian armed forces that ended not more than 12 months before commencement of service with FRV. Proposed regulation 8 will require that applicants for appointment are required to satisfy a medical officer of their fitness for service and provide consent for a criminal record search to be conducted at a cost of around $80,509 per annum to FRV and $20,240 per annum to the applicants based on around 190 applicants per annum (see Appendix 4). Proposed regulation 9 will require operational staff members to satisfy a medical officer that he or she is fit for duty with an annual cost of $18,939 to FRV and $7,774 for FRV operational staff members (in terms of time cost) for around 75 examinations per annum (see Appendix 4). Proposed regulation 10 will set out procedural requirements for the promotions process with an annual cost of $18,554 for FRV and $4,455 for FRV operational staff members for around 84 promotions per annum (see Appendix 4). Proposed regulations 11, 12, 13, 14 & 15 and 16 will set out the following respectively:

* (11) Issuing of general orders and making them available electronically;
* (12) Specific prohibitions on the conduct of operational staff;
* (13) Procedures in relation to charges laid against operational staff for offences under the Act;
* (14 & 15) That all information relevant to the appeal must be provided by the appellant to be given a minimum of 14 days’ notice of a hearing being scheduled; and
* (16) That the Appeals Commission keep a register of each appeal in which every entry must be signed.

The total annual cost of the proposed non-fee regulations pertaining to employment and management issues will be around $154,742 or $1.41 million over 10 years in present value dollars.

A number of the proposed non-fee regulations will focus on public safety issues. Proposed regulation 22 prescribes the form of a fire prevention notice and the form to be published in a newspaper where the owner of the property or their whereabouts is unknown. Proposed regulations 23 to 29 will prescribe the information that a person who conducts a fire alarm monitoring service must provide, on written notice, to the fire services, and the prescribed timeframes for providing such information, in the case of an alarm pre-connection, connection, modification and disconnection, and for verification purposes. The nature of the information required and time frames are not considered to impose a significant burden.

## 9.3 Methodology behind fee calculation and basis for cost recovery

The costing methodology behind the emergency attendance fee calculation under proposed regulation 17, involved identifying the portion of total MFB costs and CFA integrated station costs incurred as a result of having sufficient appliances and crews on standby in order to respond to false alarms. MFB's costs and CFA’s integrated station costs were calculated on a “per appliance” and “station to station” basis and involved estimating the total variable direct and indirect costs of total MFB and CFA integrated station emergency attendances and attributing variable costs to false alarms on a pro rata basis (percentage of appliance time spent on false alarms). Finally, the cost per false alarm was then estimated by taking dividing the total dollar estimate of additional capacity required by false alarms by the total time spent false alarms and ‘weighting’ of MFB and CFA integrated station activities based on the proportion of 10-year transactions projected (2020-21 to 2029-30). For a detailed discussion of this methodology see Appendix 1.

# Section 10: Implementation plan for the preferred option

As the proposed regulations are substantially the same as the current regulations, an implementation plan is provided only in relation to the proposed fee changes.

FRV will communicate all the fee changes on its website, which is accessible to the public. In relation to fees for responding to false alarms, FRV will attach the new fee structure to each warning and on the first occasion it corresponds with a person charged under the new fee structure.

In relation to Building Compliance Audit (‘BCA’) fee changes, FRV will attach a notification about the new fee increase to each invoice sent. FRV will also send a letter to the current BCA customer database, informing of the new fee changes, when they come into effect.

For the remaining non-BCA functions, FRV will raise public awareness of the charges by including an update on its website, and advising the recipient of the fees and charges associated with inspection, advice and testing as those services are requested. The implementation of the charge will also require FRV to develop forms, processes for providing cost estimates and processes for charging the recipient of the services.

# Section 11: Evaluation strategy

In order to enhance the efficiency and effectiveness of the regulations in meeting the specified objectives and to ensure that there is robust evidence base for future decision-making, the proposed evaluation strategy will:

* Review the cost base;
* Collect and analyse data on:
  + time taken to attend emergencies;
  + the average incidence of false alarms per alarm signalling equipment;
  + causes of different false alarms;
  + the number of repeat offences where owners are failing to maintain their systems properly;
  + fee revenue recovered; and
  + premises type and size.
* Gather data on offenders and where possible, audit information regarding rewiring and tampering with FIPs and the collation of qualitative information from fire incident investigations involving circumvention behaviour (including for example time to evacuate). This could involve further statistical analysis of circumventions due to either rewiring or tampering with FIPs and levels of effective attendance fees.
* Monitor the relationship between the number of VCAT challenges and the ‘effective attendance fee’ (i.e. the actual total amount invoiced as opposed the 15-minute rate per appliance) – through statistical methods. The number of unmeritorious VCAT challenges could be monitored by collecting time series data on the number of successful vs unsuccessful challenges. This will help EMV and FRV to better understand the behaviour of owners in relation to challenges in the face of particular effective prices (i.e. tipping points).
* Gather data on the sensitivity of careless behaviour in relation to false reports, vessels, hazardous and toxic materials and any special circumstances (noting this last area to be a catch all).

Given the substantial cross-subsidisation of alarm owners by the taxpaying community and the fact that the proposed regulation is of high impact, consideration will be given to an appropriate level of primary research that might be undertaken to better understand the relationship between false alarm charges and circumvention and challenge behaviours.

Given the scale of the costs of activities undertaken in response to false alarms and the revenue raised from the fees charged for those activities, the Department of Justice and Community Safety will foreshadow a more detailed strategy before commencing this evaluation, and will conclude the evaluation within 3 to 5 years of implementation.

# Section 12: Consultation undertaken

Specific consultation with stakeholder groups has been limited during the course of the development of the proposed regulations. However, MFB and CFA management and the administrative staff were consulted extensively during the development of this document, particularly in relation to requests for data and information and testing of assumptions that rely on that data and information.

Given the above, the release of this RIS for public comment will constitute the main mechanism for stakeholder consultation in the context of the remaking of the regulations. The RIS will be available and public comment will be received for a period of 28 days. The lack of consultation on the regulations reflects, in part, the fact that the proposed regulations will largely remake the existing regulations without amendment, together with the fact that amending regulations were passed as recently as 2014. EMV and MFB believe that stakeholders are generally supportive of the existing regulations and will therefore support their remaking with limited amendments.

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Appendices

1. *Cost estimate of false alarm emergency attendance by MFB*
2. *Cost estimate of false alarm emergency attendance by CFA integrated stations*
3. *Determination of false alarm emergency attendance fee and revenue under Options 1, 2 and 3*
4. *Nonmaterial impact/burden of proposed non-fee regulations*
5. *Annual cost estimate of fire protection services*
6. *False alarm call data*
7. *Proposed Fire Rescue Victoria (General) Regulations 2020*

# Appendix 1 – Cost estimation of false alarm emergency attendances by MFB

Appendix 1 identifies the portion of total Fire Rescue Victoria (FRV) costs – generated for the current MFB – that are incurred as a result of having sufficient appliances and crews on standby in order to respond to false alarms. In this way Appendix 1 answers the question of ‘what resources are required for MFB portion of FRV to attend false alarms?’.

MFB's costs are calculated on a “per appliance” and “station to station” basis. That is, the time charged includes travelling time, as well as the time spent attending at the premises from which the call has been made. The “per appliance” costing basis is adopted as the basic operational unit of the organisation in relation to emergency attendances and crews must remain with their appliances (and hence ready to respond immediately to emergency calls) at all times while on duty. Thus, appliances and their crews are, in effect, indivisible units.

The costing methodology for MFB false alarm emergency attendance resources involves firstly estimating the overall total variable direct and indirect costs of total MFB emergency attendances (see Section A1.1). The dollar estimates of variable costs attributable to false alarms (i.e. additional capacity) is then calculated on a pro rata basis (% of appliance time spent on false alarms) using data from the breakdown in total hours spent by MFB appliances by incident type (see Section A1.2).

The cost per false alarm for MFB is then estimated by dividing the total dollar estimate of additional capacity required by false alarms, by the total time spent for false alarms.

The portion of FRV costs relating to CFA integrated station services and attending false alarms is captured in Appendix 2. CFA has a different costing methodology from MFB, and costings are not directly comparable. CFA provided a per unit attendance cost for false alarm attendances at a protected premise for inclusion in this modelling.

Finally, MFB and CFA integrated station costs are combined into one cost estimation in Appendix 3 using the appropriate weighting.

## A1.1 Estimated total costs of total MFB emergency attendances – all incidents

The estimation of total costs, including direct appliance operational staff and appliance costs and indirect appliance costs, in relation to total MFB emergency attendances – is provided in the following sections. Estimates are based purely on emergency response vehicle hours and do not take into account any other out of station activities such as community safety and training[[168]](#footnote-168).

As at January 2020, MFB had nine vessels (fire boats) and whilst a separate time-based cost could be determined for these appliances, according to MFB there are not many calls on these resources regarding false alarms and the costs are not likely to be prohibitive. Therefore, the cost of fireboats is absorbed into MFB’s overall cost base.

### A1.1.1 Total annual direct costs of MFB emergency attendances with and without false alarms – 2018-19

#### Total direct appliance operational staffing costs

The estimate of direct total annual operational staff costs per appliance assumes an *average* of three and a half personnel per appliance including one Station Officer and two and a half Leading Firefighters. Salary costs and on-costs for these personal in summarised in Table A1.1.

**Table A1.1: Estimated total direct operational staff costs per appliance – 2018-19**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Personnel type** | **No. personnel** | **2019-20 annual Salary** | **Salary on costs per person[[169]](#footnote-169)** | **Total annual salary plus salary on costs** |
| Station Officer | 1 | $120,464 | $32,597 | $153,061 |
| Leading Firefighter | 2.5 | $113,568 | $30,731 | $360,748 |
| EMR allowance | 3.5 | $5,023 | $1,359 | $22,339 |
| **Total** |  | **$239,055** | **$64,688** | **$536,148** |

Operational staff costs also include an Emergency Management Response (EMR) allowance of $5,023.20 per annum[[170]](#footnote-170) per person. As shown in Table A1.1 the total direct operational staff cost per appliance is estimated to be *$536,148[[171]](#footnote-171)* for 2018-19. The total annual salary, salary on costs and EMR allowances are then multiplied by a crewing factor[[172]](#footnote-172) of 5.89 and the ratio of average number of appliances on the road (86) to the maximum number of appliances on the road (107). This provides a total annual direct operational staffing cost of *$2,538,135 per appliance*. Based on 107 maximum appliances, the total direct cost of annual appliance staffing is estimated to be **$271,580,455** for 2018-19.

#### Total direct ‘other’ costs

Total direct appliance fuel and maintenance costs for MFB emergency attendances are estimated to be $879,815 and $6,117,978, respectively[[173]](#footnote-173), for 2018-19. Additional appliance registration and insurance costs for 2018-19 are estimated to be $319,415[[174]](#footnote-174). Total direct ‘other’ appliance costs of MFB emergency attendances is estimated to be **$7,317,208** for 2018-19. These costs do not include water and other firefighting materials used in emergency attendances.

### A1.1.2 Total annual direct and indirect costs of MFB emergency attendances – 2018-19

Total annual direct and indirect appliance costs for MFB emergency attendances is summarised in Table A1.2 and estimated to be ***$371,950,644*** for 2018-19. These annual appliance costs include estimates for direct appliance operational staffing costs (the largest proportion of costs 73.02% of overall costs) and direct other appliance costs (see A1.1.1 for all direct costs), as well as, estimates for indirect appliance costs including: overtime and allowances for station personnel; personal protective equipment (PPE); training[[175]](#footnote-175); and administrative support costs[[176]](#footnote-176) (13.07% of overall costs).

**Table A1.2: Total estimated direct and indirect costs for MFB attendances – 2018-19**

|  |  |  |
| --- | --- | --- |
| **Direct and indirect costs** | **Annual cost** | **% total annual cost** |
| **Direct costs** |  |  |
| Appliance operational staffing | $271,580,455 | 73.02% |
| Appliance fuel | $879,815 | 0.24% |
| Appliance maintenance | $6,117,978 | 1.64% |
| Appliance registration and insurance | $319,415 | 0.09% |
| **Sub-total direct costs** | **$278,897,663** | **74.98%** |
| **Indirect costs** |  |  |
| Overtime and allowances for station personnel | $41,155,632 | 11.06% |
| PPE | $2,617,404 | 0.70% |
| Training | $661,154.00 | 0.18% |
| Administrative support | $48,618,791 | 13.07% |
| **Sub-total indirect costs** | **$93,052,980** | **25.02%** |
| ***Total annual cost of emergency attendances*** | ***$371,950,644*** | ***100.00%*** |

Based on the total annual cost of emergency attendances, the average annual direct and indirect costs of running an appliance (given a total of 107 appliances) is estimated to be ***$3,476,174*** for 2018-19.

## A1.2 Estimated total annual avoidable costs of total MFB emergency attendances in relation to all false alarms

The dollar estimates of variable direct and indirect costs attributable to false alarms are calculated on a pro rata basis using the percentage of appliance time spent on false alarms. Table A1.3 shows the distribution of total annual direct and indirect appliance costs of emergency attendances against the percentage of appliance time for each category of attendance (as taken from Table 6 in this RIS).

**Table A1.3: Distribution of total annual direct and indirect emergency attendance costs by incident type – 2018-19**

| **Incident** | **% of time spent by appliances per annum**  **(8-year average 2011-12 to 2018-19)[[177]](#footnote-177)** | **Annual pro rata cost**  **2018-19** |
| --- | --- | --- |
| Fires and Explosions | 38.29% | $142,417,612 |
| Emergency medical response (EMR) | 4.29% | $15,954,629 |
| Motor Vehicle Accidents (MVA) | 5.99% | $22,265,952 |
| Rescues and Medical Assistance Other than EMR | 2.43% | $9,045,280 |
| HazMat | 3.92% | $14,575,799 |
| Haz not HazMat | 5.61% | $20,863,657 |
| Service Calls | 3.70% | $13,769,711 |
| Good Intent | 7.24% | $26,940,639 |
| Malicious | 1.24% | $4,630,010 |
| False Alarms | 26.38% | $98,128,758 |
| Other | 0.90% | $3,358,597 |
| **Total time spent by appliances (hours)** | **100.00%** | ***$371,950,644*** |

As shown in Table A1.3, the annual emergency attendance costs estimated for false alarms is estimated to be ***$98,128,758*** for 2018-19.

## A1.3 Estimated total costs MFB emergency attendances in relation to false alarms per appliance- per quarterly hour

The total hourly cost of a false alarm per appliance is estimated by dividing the total direct and indirect attendance cost for all false alarms (i.e. $98,128,758), as highlighted in Table A1.3 by the 8-year annual average of the total number of hours spent by appliances for false alarm incidents in Table 6 (i.e. 9,514 hours). This provides an **hourly cost per appliance of $10,314.27 –** as shown in Table A1.4 or a ***quarterly hour cost per appliance of $2,578.57 –*** as shown in Table A1.5,for false alarm attendances. The breakup of hourly cost per appliance is shown in Tables A1.4 and A1.5 are based on the percentage allocation of annual costs in Table A1.2 with operational staff comprising 73.02% of overall cost followed by administrative support at 13.07% of overall cost.

**Table A1.4: Hourly cost per appliance for false alarm attendances by MFB – 2018-19**

| **Direct and indirect cost category** | **Hourly cost of attendance per appliance for false alarms[[178]](#footnote-178)** |
| --- | --- |
| **Direct costs** |  |
| Appliance operational staffing | $7,531 |
| Appliance fuel | $24 |
| Appliance maintenance | $170 |
| Appliance fee | $9 |
| **Sub-total direct hourly cost per appliance** | **$7,734** |
| **Indirect costs** |  |
| Overtime and allowances for station personnel | $1,141 |
| Personal protective equipment | $73 |
| Training | $18 |
| Administrative support | $1,348 |
| **Sub-total indirect hourly cost per appliance** | **$2,580** |
| ***Total hourly direct and indirect cost per appliance*** | ***$10,314*** |

**Table A1.5: Quarterly hour cost per appliance for false alarm attendances by MFB – 2018-19**

| **Direct and indirect cost category** | **Quarterly hour cost of attendance per appliance for false alarms[[179]](#footnote-179)** |
| --- | --- |
| **Direct costs** |  |
| Appliance operational staffing | $1,883 |
| Appliance fuel | $6 |
| Appliance maintenance | $42 |
| Appliance fee | $2 |
| **Sub-total direct quarterly hourly cost per appliance** | **$1,933** |
| **Indirect costs** | $0 |
| Overtime and allowances for station personnel | $285 |
| Personal protective equipment | $18 |
| Training | $5 |
| Administrative support | $337 |
| **Sub-total indirect quarterly hourly cost per appliance** | **$645** |
| ***Total quarterly hourly direct and indirect cost per appliance*** | ***$2,579*** |

## A1.4 Estimated total costs per false alarm attendance for MFB

The total average cost of a false alarm *per attendance* for MFB is estimated by taking the product of the total hourly direct and indirect cost per appliance (i.e. $10,314) and the estimated 1.28 appliance hours spent per attendance (including travel time) calculated as:

Current (2019-20) average charge per attendance ($2,790) ÷ current (2019-20) quarterly hour charge ($578.47) x 15 minutes ÷ 60 min = *average 1.284 hours per attendance*

This provides an estimated cost of *$13,238.77* per attendance. The breakup of direct and indirect costs per attendance is shown in Table A1.6 (based on the percentage allocation of annual costs in Table A1.2).

**Table A1.6: Estimated cost per false alarm attendance by MFB – 2018-19**

| **Direct and indirect cost category** | **Cost per false alarm attendance [[180]](#footnote-180)** |
| --- | --- |
| **Direct costs** |  |
| Appliance operational staffing | $9,666 |
| Appliance fuel | $31 |
| Appliance maintenance | $218 |
| Appliance fee | $11 |
| **Sub-total direct cost per attendance** | **$9,927** |
| **Indirect costs** | $0 |
| Overtime and allowances for station personnel | $1,465 |
| Personal protective equipment | $93 |
| Training | $24 |
| Administrative support | $1,730 |
| **Sub-total indirect cost per attendance** | **$3,312** |
| ***Total direct and indirect cost per attendance*** | ***$13,239*** |

# Appendix 2 – Cost estimate of false alarm emergency attendance by CFA integrated stations

Appendix 2 estimates the level of cost attributable to false alarm emergency attendances by CFA integrated stations.

## A2.1 Total annual direct costs of emergency attendances by CFA integrated stations with and without false alarms – 2018-19

### A2.1.1 Total direct appliance costs CFA integrated stations

Total appliance costs are given by CFA as ***$1,800,888*** and are summarised in Table A2.1. These costs relate to 65 appliances available to respond (on the road) and 6 spare appliances – a maximum of 71 appliances[[181]](#footnote-181) for CFA integrated stations.

**Table A2.1: Total direct annual appliance costs for emergency attendances for CFA integrated stations with and without false alarms – 2018-19**

|  |  |
| --- | --- |
| **Direct appliance cost category** | **Annual cost[[182]](#footnote-182)** |
| Appliance maintenance and support | $1,179,097 |
| Appliance licencing | $50,872 |
| Vehicle direct costs (external Inc. Fuel) SAP | $570,919 |
| ***Total annual direct appliance costs*** | ***$1,800,888*** |

### A2.1.2 Total direct staffing costs CFA integrated stations

Total staffing costs are given by CFA as ***$158,403,045*** and are summarised in Table A2.2. These costs relate to 1,066 staff for CFA integrated stations including supporting operational staff.

**Table A2.2: Total direct annual staffing costs for emergency attendances for CFA integrated stations with and without false alarms – 2018-19**

|  |  |
| --- | --- |
| **Direct staff cost category** | **Annual cost[[183]](#footnote-183)** |
| Salaries and on-costs | $150,660,029 |
| Other employee expenses | $7,743,016 |
| ***Total annual direct staff costs*** | ***$158,403,045*** |

### A2.1.3 Total direct station costs CFA integrated stations

Total direct station costs for emergency attendances are given by CFA as ***$3,142,466*** and are summarised in Table A2.3. These costs relate to 37.5 active integrated stations (including one integrated station coming online half way through the year in 2018-19) and cover running costs and direct administration support.

**Table A2.3: Total direct annual station costs for emergency attendances for CFA integrated stations with and without false alarms – 2018-19**

|  |  |
| --- | --- |
| **Direct station cost category** | **Annual cost[[184]](#footnote-184)** |
| Land and buildings maintenance (external Suppliers) | $1,200,004 |
| Plant and equipment maintenance (external Suppliers) | $720,022 |
| General expenses (external suppliers) | $491,440 |
| Land and buildings - CFA internal maintenance costs | $731,000 |
| ***Total annual station costs*** | ***$3,142,466*** |

The sum of the total direct costs of supply of emergency attendances with and without false alarms, taken from Tables A2.1, A2.2 and A2.3 is therefore taken to be **$163,346,399** for 2018-19.

## A2.2 Total annual direct and indirect costs of emergency attendances by CFA integrated stations with and without false alarms – 2018-19

The proportion of indirect overhead costs attributable to emergency attendances by CFA integrated stations has been nominated by CFA to deliberately mirror that of MFB's and has been selected by CFA to be 33%[[185]](#footnote-185). This has been done to better reflect the operating percentage of the new FRV institution and assumes that the operations of the current MFB will more closely reflect the dominant operational environment of FRV, noting however that FRV will reflect the different operational context of urban and regional of both predecessor organisations. Taking 33% of a total direct cost of **$163,346,399** provides an estimate of **$54,499,809** for indirect costs for CFA integrated stations. This provides for a total direct and indirect estimated cost of emergency attendances by CFA integrated stations of ***$217,846,208*** per annum for 2018-19 as shown in Table A2.4.

The largest proportion of costs (i.e. 72.72% of overall costs) is represented by direct staffing including operational staffing costs, followed by estimated indirect costs (i.e. 25.02% of overall costs or as stated above, 33.36% of total direct costs).

**Table A2.4: Total direct and indirect costs for emergency attendances for CFA integrated stations with and without false alarms – 2018-19**

| **Direct and Indirect costs** | **Annual cost** | **% of annual cost** |
| --- | --- | --- |
| Appliance maintenance and support | $1,179,097 | 0.54% |
| Appliance licencing | ***$50,872*** | 0.02% |
| Vehicle direct costs (external Inc. Fuel) SAP | $570,919 | 0.26% |
| **Sub-total direct annual appliance costs** | **$1,800,888** | **0.83%** |
| Salaries and on-costs (including operational staff) | $150,660,029 | 69.16% |
| Other employee expenses | $7,743,016 | 3.55% |
| **Sub-total direct annual staffing costs** | **$158,403,045** | **72.71%** |
| Land and buildings maintenance (external Suppliers) | $1,200,004 | 0.55% |
| Plant and equipment maintenance (external Suppliers) | $720,022 | 0.33% |
| General expenses (external suppliers) | $491,440 | 0.23% |
| *Land and buildings - CFA internal maintenance costs* | $731,000 | 0.34% |
| **Sub-total direct annual station costs** | **$3,142,466** | **1.44%** |
| **Sub-total indirect annual cost** | **$54,499,809** | **25.02%** |
| ***Total annual direct and indirect costs*** | ***$217,846,208*** | ***100.00%*** |

## A2.3 Estimated total annual avoidable costs of total CFA integrated stations emergency attendances in relation to all false alarms

The total appliance hours out of station attending emergencies by CFA integrated stations and hours for false alarms at protected premises between 2015-16 and 2018-19 is provided in Table A2.5. As shown in Table A2.5, attendance hours for false alarms at protected premises is estimated to be 11.8% of all emergency attendances by CFA integrated stations on average over 4 years.

**Table A2.5: Total appliance hours of emergency attendance by CFA integrated stations including false alarms – 2015-16 to 2018-19[[186]](#footnote-186)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Financial year** | **Total appliance hours for emergency attendances** | **Appliance hours for false alarm attendances[[187]](#footnote-187)** | **Hours of false alarm attendances as a % of total appliance hours[[188]](#footnote-188)** |
| 2015-16 | 35,934 | 2,750 | 7.65% |
| 2016-17 | 28,156 | 4,095 | 14.54% |
| 2017-18 | 30,290 | 4,102 | 13.54% |
| 2018-19 | 35,821 | 4,058 | 11.33% |
| ***4-year average*** | ***32,550*** | ***3,751*** | ***11.77%*** |

Taking 11.8% of total direct and indirect costs of emergency attendances by integrated stations of $217,846,208 in Section A2.2 – provides an estimated annual cost of **$25,633,888** for 2018-19 for false alarm attendances.

## A2.4 Estimated total costs of emergency attendances by CFA integrated stations in relation to false alarms - per quarterly hour

Dividing the estimated total direct and indirect cost of false alarm attendances of **$25,633,888** in Section A2.3 by the 4-year average appliance hours of 3,751 in Table A2.5 provides an ***hourly attendance cost of $6,833.43*** – as shown in Table A2.6, or a ***per quarterly hour cost of $1,708.36*** – as shown in Table A2.7. The breakup of hourly cost per appliance in Tables A2.6 and A2.7 are based on the percentage allocation of annual costs in Table A2.4.

**Table A2.6: Hourly cost per appliance for false alarm attendances by CFA integrated stations – 2018-19**

|  |  |
| --- | --- |
| **Direct and Indirect hourly costs** | **Hourly cost per appliance for false alarm attendances** |
| Appliance maintenance and support | $37 |
| Appliance licencing | $2 |
| Vehicle direct costs (external Inc. Fuel) SAP | $18 |
| **Sub-total direct hourly appliance costs** | **$56** |
| Salaries and on-costs (including operational staff) | $4,726 |
| Other employee expenses | $243 |
| **Sub-total direct hourly staffing costs** | **$4,969** |
| Land and buildings maintenance (external Suppliers) | $38 |
| Plant and equipment maintenance (external Suppliers) | $23 |
| General expenses (external suppliers) | $15 |
| Land and buildings - CFA internal maintenance costs | $23 |
| **Sub-total direct hourly station costs** | **$99** |
| **Sub-total indirect hourly cost** | **$1,710** |
| ***Total hourly direct and indirect hourly costs per appliance*** | ***$6,833*** |

**Table A2.7: Quarterly hour cost per appliance for false alarm attendances by CFA integrated stations – 2018-19**

|  |  |
| --- | --- |
| **Direct and Indirect hourly costs** | **Quarterly hour cost per appliance for false alarm attendances** |
| Appliance maintenance and support | $9 |
| Appliance licencing | $0 |
| Vehicle direct costs (external Inc. Fuel) SAP | $4 |
| **Sub-total direct quarter hourly appliance costs** | **$14** |
| Salaries and on-costs (including operational staff) | $1,181 |
| Other employee expenses | $61 |
| **Sub-total direct quarter hourly staffing costs** | **$1,242** |
| Land and buildings maintenance (external Suppliers) | $9 |
| Plant and equipment maintenance (external Suppliers) | $6 |
| General expenses (external suppliers) | $4 |
| Land and buildings - CFA internal maintenance costs | $6 |
| **Sub-total direct quarter hourly station costs** | **$25** |
| **Sub-total indirect quarter hourly cost** | **$427** |
| ***Total direct and indirect quarter hourly costs per appliance*** | ***$1,708*** |

## A2.5 Estimated total costs per false alarm attendance by CFA integrated stations

The total average cost of a false alarm *per attendance* by CFA integrated stations is estimated by taking the product of the total hourly direct and indirect cost per appliance (i.e. $6,815) in Table A2.6 and *1.32 appliance hours spent per attendance*[[189]](#footnote-189). This provides an estimated cost of ***$9,041.94 per attendance***. The breakup of direct and indirect costs per attendance is shown in Table A2.8 (based on the percentage allocation of annual costs in Table A2.4).

**Table A2.8: Estimated cost per false alarm attendance by CFA integrated stations – 2018-19**

| **Direct and Indirect costs** | **Cost per attendance for false alarm attendances** |
| --- | --- |
| Appliance maintenance and support | $49 |
| Appliance licencing | $2 |
| Vehicle direct costs (external Inc. Fuel) SAP | $24 |
| **Sub-total direct appliance costs** | **$75** |
| Salaries and on-costs (including operational staff) | $6,253 |
| Other employee expenses | $321 |
| **Sub-total direct staffing costs** | **$6,575** |
| Land and buildings maintenance (external Suppliers) | $50 |
| Plant and equipment maintenance (external Suppliers) | $30 |
| General expenses (external suppliers) | $20 |
| Land and buildings - CFA internal maintenance costs | $30 |
| **Sub-total direct station costs** | **$130** |
| **Sub-total indirect cost** | **$2,262** |
| ***Total direct and indirect costs per attendance*** | ***$9,041.94*** |

# Appendix 3 – Determination of false alarm emergency attendance fees and revenue for FRV under Options 1 to 4

Appendix 3 sets out the fee options (1 to 4) to be considered for evaluation in this RIS, including their determination and consequential revenues. Cost recovery charges have been set according to an ‘efficient’ cost base where costs identified are the minimum necessary to deliver fire emergency attendances for false alarms by MFB (estimated to be ***$2,578.57 per quarter hour of attendance***)[[190]](#footnote-190)and CFA integrated stations (estimated to be ***$1,708.36 per quarter hour of attendance***)[[191]](#footnote-191). The efficient cost base has been estimated through the identification of all relevant direct and indirect costs to be recovered which are integral or directly related to the activity of false alarm emergency attendances for both MFB and CFA integrated stations components of FRV.

## A3.1 Estimation of the weighted quarterly hour cost and volume of quarterly hour transactions for emergency attendances to false alarms by FRV

The volume of current ‘quarterly hour’ transactions and annual growth rates (shown in Table A3.1 for MFB and in Table A3.3 for CFA integrated stations), are used as a basis for:

1. projecting the volume of quarterly hour transactions and associated revenues of fee options for FRV over a 10-year period (2020-21 to 2029-30) in Sections A3.2 to A3.3 of this appendix; and
2. *estimating a weighted quarterly hour cost for FRV* combining the ‘efficient’ cost bases of MFB and CFA integrated stations.

### A3.1.1 Projection of the annual volume of quarterly hour transactions for FRV – 2019-20 to 2029-30

Projection of the annual volume of quarterly hour transactions for FRV between 2021-22 and 2029-30 is based on determination of annual growth rates around such transactions for current MFB and CFA integrated station operations. These growth rates are illustrated in Table A3.1 and A3.3, for MFB and CFA integrated stations, respectively.

**TableA3.1: Estimated volume and annual growth of ‘quarterly hour’ transactions for emergency attendances by MFB – 2004-05 to 2018-19**

| **Year** | **False alarm charges**  **(m)** | **Value of fee unit**  **(n)** | **Fee units**  **(o)** | **Fee**  **(p)=(n)\*(o)** | **Volume of quarterly hour transactions**  **(q)=(m)/(p)** | **Annual growth rate in the volume of quarterly hour transactions** |
| --- | --- | --- | --- | --- | --- | --- |
| 2004-05 | $4,625,000 | $10.23 | 39.06 | $399.58 | **11,575** |  |
| 2005-06 | $4,115,000 | $10.49 | 39.06 | $409.74 | **10,043** | -13.23% |
| 2006-07 | $6,266,000 | $10.75 | 39.06 | $419.90 | **14,923** | 48.59% |
| 2007-08 | $6,077,000 | $11.02 | 39.06 | $430.44 | **14,118** | -5.39% |
| 2008-09 | $5,823,000 | $11.35 | 39.06 | $443.33 | **13,135** | -6.97% |
| 2009-10 | $5,333,000 | $11.69 | 39.06 | $456.61 | **11,680** | -11.08% |
| 2010-11 | $6,259,000 | $11.95 | 39.06 | $466.77 | **13,409** | 14.81% |
| 2011-12 | $6,695,000 | $12.22 | 39.06 | $477.31 | **14,026** | 4.60% |
| 2012-13 | $5,669,000 | $12.53 | 39.06 | $489.42 | **11,583** | -17.42% |
| 2013-14 | $6,509,000 | $12.84 | 39.06 | $501.53 | **12,978** | 12.05% |
| 2014-15 | $8,423,000 | $13.24 | 39.06 | $517.15 | **16,287** | 25.50% |
| 2015-16 | $8,500,000[[192]](#footnote-192) | $13.60 | 39.06 | $531.22 | **16,001** | -1.76% |
| *2016-17* | *$9,106,125[[193]](#footnote-193)* | *$13.94* | *39.06* | *$544.50* | ***16,724*** | *4.52%* |
| 2017-18 | $11,694,000 | $14.30 | 39.06 | $558.56 | **20,936** | 25.19% |
| 2018-19 | $10,137,000 | $14.45 | 39.06 | $564.42 | 17,960 | -16.57% |

Source of data under Column (m): MFB annual reports

Based on Table A3.1, the ***average annual increase in quarterly hour transactions for MFB*** ***is 4.49%*** or 55.17% between 2004-05 and 2018-19.

**TableA3.2: Estimated number and value of annual false alarm charges for attendances by CFA integrated stations to protected premises – 2015-16 to 2018-19[[194]](#footnote-194)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | **No. attendances CFA wide**  **(r)** | **% attendances by CFA integrated stations**  **(s)** | **No. attendances by CFA integrated stations**  **(t) = (r)\*(s)** | **% where no reasonable excuse has been given**  **(u)** | **No. Attendances by CFA integrated stations where no reasonable excuse has been given**  **(v) = (t)\*(u)** | **Average invoice value**  **(w)\*** | **Estimated annual charges by CFA integrated stations**  **(x) = (v)\*(w)** |
| 2015-16 | 4,562 | 48.68% | 2,221 | 47% | 1,054 | $1,461.26 | **$1,539,497** |
| 2016-17 | 5,853 | 55.27% | 3,235 | 56% | 1,823 | $1,672.30 | **$3,048,312** |
| 2017-18 | 5,417 | 58.74% | 3,182 | 51% | 1,628 | $1,683.27 | **$2,739,883** |
| 2018-19 | 5,420 | 57.20% | 3,100 | 51% | 1,566 | $1,573.16 | **$2,463,590** |
| ***Total*** | ***21,252*** |  | ***11,738*** |  | ***6,070*** |  |  |

\*It is important to note that CFA offers discounts to premises that allow volunteers to turn out during working hours.

**TableA3.3: Estimated volume and annual growth of ‘quarterly hour’ transactions for emergency attendances by CFA integrated stations – 2015-16 to 2018-19**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Year** | **False alarm charges**  **(X)[[195]](#footnote-195)** | **Value of fee unit**  **(y)** | **Fee units**  **(Z)** | **Fee**  **(a1) = (y)\*(Z)** | **Volume of quarterly hour transactions**  **(b1) = (x)/(a1)** | **Annual growth rate in the volume of quarterly hour transactions** |
| 2015-16 | $1,539,497 | $13.60 | 39.45 | $536.52 | **2,869** |  |
| 2016-17 | $3,048,312 | $13.94 | 39.45 | $549.93 | **5,543** | 93.18%[[196]](#footnote-196) |
| 2017-18 | $2,739,883 | $14.30 | 39.45 | $564.14 | **4,857** | -12.38% |
| 2018-19 | $2,463,590 | $14.45 | 39.45 | $570.05 | **4,322** | -11.02% |

Based on Table A3.3, the ***average annual decrease in quarterly hour transactions for CFA integrated stations*** ***is 11.7%***.

Table A3.4 shows the projected annual quarterly hour transactions for both MFB and CFA integrated station components of FRV with a total number **261,320 transactions** projected over 10 years. Importantly, the growth in MFB transactions is based on a 4.49% annual growth rate from Table A3.1 and the decline CFA transactions is based on a 11.7% annual reduction in activities (see Table A3.3) which CFA has advised is likely to continue based on current policies and projections.

**TableA3.4: Projected annual volume of ‘quarterly hour’ transactions for emergency attendances for false alarms for FRV – 2019-20 to 2029-30**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **MFB transactions** | **CFA integrated stations transactions** | **FRV transactions** | **CFA integrated station as % of total FRV transactions** |
| 2019-20 | 18,686 | 3,766 | **22,451** | 16.77% |
| 2020-21 | 19,608 | 3,370 | **22,978** | 14.66% |
| 2021-22 | 20,488 | 2,975 | **23,464** | 12.68% |
| 2022-23 | 21,408 | 2,627 | **24,035** | 10.93% |
| 2023-24 | 22,369 | 2,320 | **24,689** | 9.40% |
| 2024-25 | 23,373 | 2,049 | **25,421** | 8.06% |
| 2025-26 | 24,422 | 1,809 | **26,230** | 6.90% |
| 2026-27 | 25,518 | 1,597 | **27,115** | 5.89% |
| 2027-28 | 26,663 | 1,410 | **28,073** | 5.02% |
| 2028-29 | 27,859 | 1,245 | **29,105** | 4.28% |
| 2029-30 | 29,110 | 1,100 | **30,209** | 3.64% |
| **10-year Total (2020-21 to 2029-30)** | 240,817 | 20,502 | ***261,320*** | ***7.85%*** |

### A3.1.2 Estimation of a weighted full ‘quarterly hour’ cost for FRV

The volume of ‘quarterly-hour’ transactions for CFA integrated station for emergency attendances for false alarms at protected premises is estimated to be **7.85%** of the total 10-year volume for FRV (see Table A3.4).

Based on this share of 10-year activity, MFB and CFA integrated station quarterly hour costs have been commensurately weighted as shown below - providing a ***weighted ‘full quarterly hour’ cost of attendance per appliance for FRV as a whole of $2,510.29***.

* Quarterly hour cost of attendance per appliance by MFB = $2,578.57[[197]](#footnote-197)
* % of 10-year quarterly hour transactions for MFB = 92.15%
* Quarterly hour cost of attendance per appliance by CFA integrated stations = $1,708.36[[198]](#footnote-198)
* % of 10-year quarterly hour transaction for CFA integrated stations = 7.85%

$2,578.57 x 92.15% + $1,708.36 x 7.85% **= $2,510.29**

## A3.2 **Option 1** – Full cost recovery of emergency attendance of false alarms per quarterly hour by FRV

### A3.2.1 Option 1 fee

Option 1 involves full cost recovery of all emergency attendances for false alarms. As shown in Table A1.3 of appendix 1, the annual emergency attendance costs estimated for all false alarms for MFB is estimated to be **$98,128,758** for 2018-19. This cost reflects all direct staffing (operational) and appliance fuel and maintenance and registration costs, as well as, indirect, overtime and allowances for station personnel personal protective equipment; professional development training and administrative support, as shown in Table A3.1. The main contribution to costs for MFB is appliance operational staff (i.e. 73.02%) (see Table A1.5).

As discussed in Section A2.3 of appendix 2, the annual emergency attendance costs estimated for all false alarms for CFA integrated stations is estimated to **$25,633,888** be for 2018-19. This cost reflects all direct costs including: appliance costs (maintenance and support, licensing and fuel) staff costs (including operational staff), building, land, plant equipment maintenance (including general expenses) and an indirect cost overhead allocation of 33.36% based on MFB operations (see Table A2.7 of Appendix 2). The main contribution to costs for CFA integrated stations is direct staffing costs (including operational staff) (i.e. 72.71%) (see Table A2.7).

Based on the aforementioned estimates above - the total cost of emergency attendances for false alarms by MFB and CFA integrated stations is therefore estimated to be ***$123,762,646***.

As discussed in Section A3.1.2 of Appendix 3, the ***weighted*** ***full ‘quarterly hour cost’ per appliance*** for false alarm attendances by FRV is estimated to be ***$2,510.29*** or $169.5 fee units.

Furthermore, based on an average of 1.28 appliance hours[[199]](#footnote-199) for MFB and an average of 1.32 appliance hours[[200]](#footnote-200) for CFA integrated stations per false alarm and weighted quarterly hour cost - it is estimated that the average fee paid under Option 1 of full cost recovery will be around **$12,909.50** – as shown in Table A3.5.

**TableA3.5: Estimated average cost per emergency attendance for false alarms where no reasonable excuse has been provided**

| **Direct and indirect cost category** | **Quarterly hour cost per appliance** | ***Weighted* quarterly hour cost per appliance** | **Average cost per attendance = average appliance hours per attendance x weighted quarterly hour cost per appliance x 4 quarters** |
| --- | --- | --- | --- |
| **MFB** |  |  |  |
| Appliance operational staffing | $1,883 | $1,735 | $8,908 |
| Appliance fuel | $6 | $6 | $29 |
| Appliance maintenance | $42 | $39 | $201 |
| Appliance fee | $2 | $2 | $10 |
| **Sub-total direct cost per for MFB** | **$1,933** | **$1,782** | **$9,148** |
| Overtime and allowances for station personnel | $285 | $263 | $1,350 |
| Personal protective equipment | $18 | $17 | $86 |
| Training | $5 | $4 | $22 |
| Administrative support | $337 | $311 | $1,595 |
| **Sub-total indirect cost for MFB** | **$645** | **$594** | **$3,052** |
| ***Total direct and indirect cost for MFB*** | ***$2,579*** | ***$2,376*** | ***$12,200*** |
| **CFA Integrated stations** |  |  |  |
| Appliance maintenance and support | $9 | $1 | $4 |
| Appliance licencing | $0 | $0 | $0 |
| Vehicle direct costs (external Inc. Fuel) SAP | $4 | $0 | $2 |
| **Sub-total direct appliance costs CFA integrated stations** | **$14** | **$1** | **$6** |
| Salaries and on-costs (including operational staff) | $1,181 | $93 | $491 |
| Other employee expenses | $61 | $5 | $25 |
| **Sub-total direct staffing costs for CFA integrated stations** | **$1,242** | **$97** | **$516** |
| Land and buildings maintenance (external Suppliers) | $9 | $1 | $4 |
| Plant and equipment maintenance (external Suppliers) | $6 | $0 | $2 |
| General expenses (external suppliers) | $4 | $0 | $2 |
| Land and buildings - CFA internal maintenance costs | $6 | $0 | $2 |
| **Sub-total direct station costs for CFA integrated stations** | **$25** | **$2** | **$10** |
| **Sub-total indirect cost for CFA integrated stations** | **$427** | **$34** | **$177** |
| ***Total direct and indirect costs for CFA integrated stations*** | ***$1,708*** | ***$134*** | ***$709*** |
| *Total direct and indirect costs for FRV* |  | ***$2,510*** | ***$12,909*** |

### A3.2.2 Option 1 fee revenue

In order to determine fee revenue, an assumption is made that the growth rate in the annual volume of transactions for MFB (averaging 4.49%, as shown in Table A3.1) and annual volume of transactions for CFA integrated stations (averaging -11.7%, as shown in Table A3.3) is expected to fall by 10%[[201]](#footnote-201). This assumption is made on the assertion that *some* owners of alarm systems for small businesses rewiring or disconnecting parts of monitoring systems so that the system only provides a local alarm instead of alerting FRV in an attempt to avoid the higher false alarm attendance fees. This would mean a reduction in the annual growth rate of transactions under full cost recovery from 1 July 2020 (see Table A3.3). The present value of fee revenue over 10 years is estimated to be $510.54 million, as shown in Table A3.6.

**TableA3.6: Estimated revenue from full cost recovery fees under Option 1**

**(quarterly hour per appliance) – 2020-21 to 2029-30**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Year** | **MFB transactions (reduction in growth rate from 4.49% to 4.04%)** | **CFA integrated stations transactions**  **(reduction in growth rate from (-11.7%) to (-12.87%))** | **FRV transactions** | **Full cost recovery fee** | **False alarm charges** | **False alarm charges (Present value 2019-20 dollars)[[202]](#footnote-202)** |
| 2019-20 | 18,686 | 3,766 | 22,451 | $2,510 | $56,358,829 | $54,191,182 |
| 2020-21 | 19,440 | 3,281 | 22,721 | $2,510 | $57,037,000 | $54,843,269 |
| 2021-22 | 20,226 | 2,859 | 23,084 | $2,510 | $57,948,244 | $53,576,409 |
| 2022-23 | 21,042 | 2,491 | 23,533 | $2,510 | $59,075,509 | $52,517,912 |
| 2023-24 | 21,892 | 2,170 | 24,063 | $2,510 | $60,404,455 | $51,633,981 |
| 2024-25 | 22,777 | 1,891 | 24,668 | $2,510 | $61,923,134 | $50,896,302 |
| 2025-26 | 23,697 | 1,648 | 25,344 | $2,510 | $63,621,701 | $50,281,155 |
| 2026-27 | 24,654 | 1,436 | 26,089 | $2,510 | $65,492,167 | $49,768,664 |
| 2027-28 | 25,650 | 1,251 | 26,901 | $2,510 | $67,528,181 | $49,342,180 |
| 2028-29 | 26,686 | 1,090 | 27,776 | $2,510 | $69,724,849 | $48,987,754 |
| 2029-30 | 27,764 | 950 | 28,713 | $2,510 | $72,078,569 | $48,693,699 |
| **Total 10 year (2020-21 to 2029-30))** | 233,827 | 19,065 | ***252,892*** |  | ***$634,833,808*** | ***$510,541,325*** |

Whilst $2,510.29 represents the full weighted quarterly hour cost recovery fee it is important to note that not all attendances are charged for as is the case where a ‘reasonable excuse’ is determined. Consequently, revenue generated under Option 1 in 2020-21 (where the full cost recovery fee applies for *the entire year*) covers 46.09%[[203]](#footnote-203) of all costs of emergency attendance for false alarms as estimated for 2018-19 across MFB and CFA integrated stations.

## A3.3 **Option 2** - Partial cost recovery of emergency attendance of false alarms per quarterly hour by FRV based on current fee units – *the proposed option*

### A3.3.1 Option 2 fee

The partial cost recovery fee is set at ***$578.48 per quarterly hour per appliance***. This fee represents 23.9% of the full quarterly hourly cost per appliance for emergency attendances (i.e. 23.04% of $2,510.29). This fee has been set at the current 2019-20 amount of 39.06 fee units (i.e. $578.48) for MFB - per quarterly hour per appliance. Based on an average of 1.28 appliance hours[[204]](#footnote-204) per false alarm attendance it is estimated that the average fee paid under Option 2 will be around $2,977 calculated as follows:

$578.48 per quarterly hour x 4 x 1.28 hours = $2,977.20

This reflects the need to *strike the right balance* between encouraging owners of alarm systems to proactively manage and maintain their systems in order to minimise:

* resources being expended on false alarms by FRV;
* complacency towards genuine alarms which have the potential to lead to serious injury or deaths;
* risk of accident and injury to firefighters and the general public as firefighters will attend emergencies under sirens and lights; and
* response times to real emergencies (affected by delays caused by false alarm attendances)

- whilst not discouraging them in order to minimise:

* additional disputes at VCAT and internal reviews; and
* smaller owners of alarm systems circumventing their alarm systems to avoid higher fees.

### A3.3.2 Option 2 fee revenue

Fee revenue under Option 2 assumes the continued annual growth in the number of transactions (currently estimated to be 4.49% for MFB on average, as shown in Table A3.1 and -11.7% for CFA integrated stations, as shown in Table A3.3) and a partial cost recovery quarterly hour rate fee $578.48 per appliance. The present value of fee revenue over 10 years is estimated to be $121.4 million, as shown in Table A3.7. Revenue generated under Option 2 for 2020-21 covers 10.74%[[205]](#footnote-205) of all costs of emergency attendance for false alarms estimated for 2018-19.

**Table A3.7: Estimated revenue from partial cost recovery fees under Option 2 – the proposed option (quarterly hour per appliance) – 2020-21 to 2029-30**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Year** | **MFB transactions (growth rate 4.49%)** | **CFA integrated stations transactions**  **(growth rate**  **(-11.7%))** | **FRV transactions** | **Partial cost recovery fee** | **False alarm charges** | **False alarm charges (Present value 2019-20 dollars)[[206]](#footnote-206)** |
| 2020-21 | 19,608 | 3,370 | 22,978 | $578.48 | $13,292,300 | $12,781,058 |
| 2021-22 | 20,488 | 2,975 | 23,464 | $578.48 | $13,573,326 | $12,549,303 |
| 2022-23 | 21,408 | 2,627 | 24,035 | $578.48 | $13,903,879 | $12,360,497 |
| 2023-24 | 22,369 | 2,320 | 24,689 | $578.48 | $14,281,862 | $12,208,196 |
| 2024-25 | 23,373 | 2,049 | 25,421 | $578.48 | $14,705,592 | $12,086,924 |
| 2025-26 | 24,422 | 1,809 | 26,230 | $578.48 | $15,173,753 | $11,992,038 |
| 2026-27 | 25,518 | 1,597 | 27,115 | $578.48 | $15,685,367 | $11,919,590 |
| 2027-28 | 26,663 | 1,410 | 28,073 | $578.48 | $16,239,759 | $11,866,233 |
| 2028-29 | 27,859 | 1,245 | 29,105 | $578.48 | $16,836,529 | $11,829,122 |
| 2029-30 | 29,110 | 1,100 | 30,209 | $578.48 | $17,475,533 | $11,805,844 |
| ***Total*** | 240,817 | 20,502 | ***261,320*** |  | ***$151,167,899*** | ***$121,398,804*** |

## A3.4 **Option 3** – Partial cost recovery of emergency attendance of false alarms per quarterly hour with a maximum amount of $1,600 in 2020-21 to be set by FRV based on NSW false alarm attendance fee.

### A3.4.1 Option 3 fee

The partial cost recovery fee is based on the current NSW false alarm attendance fee of $1,600 and is estimated as ***$310.88 per quarterly hour per appliance***. This quarterly hour fee is calculated as:

$1,600 per false alarm attendance ÷ 4 ÷ 1.29 appliance hours per false alarm attendance[[207]](#footnote-207)

= **$310.88**

Moreover, as this is a maximum fee option, the maximum fee payable for a false alarm attendance will be $1,600 in 2020-21.

This fee represents 12.39% of the full quarterly hourly cost per appliance for emergency attendances (i.e. 12.39% of $2,510.29).

This fee has been set lower than the current 2018-19 amount of 39.06 fee units (i.e. $578.48) for MFB and 39.45 fee units (i.e. $584.25) for CFA - per quarterly hour per appliance.

### A3.4.2 Option 3 fee revenue

As shown in Table A3.8, fee revenue under Option 3 (partial cost recovery with a maximum fee of $1,600 in 2020-21) assumes an increase in the annual growth in the number of transactions by around 0.7%[[208]](#footnote-208) (currently estimated to be 4.49% for MFB on average, as shown in Table A3.1 and -11.7% for CFA integrated stations, as shown in Table A3.3) and a partial cost recovery quarterly hour rate fee $310.88 per appliance - with a maximum attendance fee of $1,600, reflecting 1.29 appliance hours and a quarterly hour rate of $310.88:

1.29 x $310.88 x 4 quarters = $1,600

As shown in Table A3.8 the distribution of appliance hours shows that in 2018-19, 7.83% of invoices were for appliance hours above the 1.29 average hours and 92.17% of invoices were below 1.29 average hours.

**Table A3.8: Distribution of appliance hours and appliance hours charged – 2018-19**

| **Appliance hrs charged per invoice 2018-19[[209]](#footnote-209)**  **(a)** | **Appliance hrs charged per invoice under Option 3 with a maximum 1.29 hrs**  **(b)** | **Number invoiced[[210]](#footnote-210)**  **(c)** | **% of total invoiced**  **(d) = (c)/4,460** | **Total appliance hours invoiced**  **2018-19**  **(e) = (a) x (c)** | **Total appliance hours charged for under Option 3**  **(f) = (b) x (c)** |
| --- | --- | --- | --- | --- | --- |
| 0.25 | 0.25 | 82 | 1.84% | 20 | 20 |
| 0.25 | 0.25 | 437 | 9.80% | 109 | 109 |
| 0.49 | 0.49 | 352 | 7.89% | 173 | 173 |
| 0.50 | 0.50 | 1019 | 22.85% | 509 | 509 |
| 0.74 | 0.74 | 326 | 7.31% | 240 | 240 |
| 0.75 | 0.75 | 987 | 22.13% | 740 | 740 |
| 0.98 | 0.98 | 163 | 3.65% | 160 | 160 |
| 1.00 | 1.00 | 461 | 10.34% | 461 | 461 |
| 1.23 | 1.23 | 86 | 1.93% | 106 | 106 |
| 1.25 | 1.25 | 198 | 4.44% | 247 | 247 |
| 1.47 | 1.29 | 50 | 1.12% | 74 | 65 |
| 1.50 | 1.29 | 113 | 2.53% | 169 | 146 |
| 1.72 | 1.29 | 21 | 0.47% | 36 | 27 |
| 1.75 | 1.29 | 45 | 1.01% | 79 | 58 |
| 1.97 | 1.29 | 9 | 0.20% | 18 | 12 |
| 2.00 | 1.29 | 36 | 0.81% | 72 | 46 |
| 2.12 | 1.29 | 1 | 0.02% | 2 | 1 |
| 2.21 | 1.29 | 8 | 0.18% | 18 | 10 |
| 2.25 | 1.29 | 16 | 0.36% | 36 | 21 |
| 2.46 | 1.29 | 10 | 0.22% | 25 | 13 |
| 2.50 | 1.29 | 11 | 0.25% | 27 | 14 |
| 2.70 | 1.29 | 3 | 0.07% | 8 | 4 |
| 2.75 | 1.29 | 4 | 0.09% | 11 | 5 |
| 2.95 | 1.29 | 2 | 0.04% | 6 | 3 |
| 3.00 | 1.29 | 5 | 0.11% | 15 | 6 |
| 3.12 | 1.29 | 1 | 0.02% | 3 | 1 |
| 3.20 | 1.29 | 3 | 0.07% | 10 | 4 |
| 3.25 | 1.29 | 2 | 0.04% | 6 | 3 |
| 3.50 | 1.29 | 1 | 0.02% | 3 | 1 |
| 3.75 | 1.29 | 2 | 0.04% | 7 | 3 |
| 3.93 | 1.29 | 2 | 0.04% | 8 | 3 |
| 4.25 | 1.29 | 2 | 0.04% | 8 | 3 |
| 4.42 | 1.29 | 1 | 0.02% | 4 | 1 |
| 5.16 | 1.29 | 1 | 0.02% | 5 | 1 |
| **Total** |  | **4,460** | **100.00%** | **3,417** | **3,216** |

Data supplied by MFB

As shown in table A3.8 there would be around a 201 fewer appliance hours charged for under Option 3 leading to 30.91% fewer effective quarterly hour transactions charged for 7.83% of invoices over 1.29 average appliance hours. This adjustment to quarterly hour transactions is made in Table A3.9 to reflect the maximum fee under Option 3.

**Table A3.9: Distribution of appliance hours per number invoiced – 2018-19**

| **Year** | **MFB transactions (Increase in growth rate from 4.49% to 4.52%)**  **(g)** | **CFA integrated stations transactions**  **(increase in growth rate from (-11.7%) to (-11.62%))**  **(h)** | **FRV transactions**  **(i) = (g)+(h)** | **FRV transactions under 1.29 appliance hours**  **(j) = (i) x 92.17%** | **FRV transactions over 1.29 appliance hours under Option 3**  **(k) = (i) x 7.83% - 30.9% x {(j) x 7.83%}** | **Total FRV**  **transactions under Option 3**  **(l) = (j) + (k)** |
| --- | --- | --- | --- | --- | --- | --- |
| 2020-21 | 19,614 | 3,373 | 22,987 | 21,188 | 1,243 | 22,431 |
| 2021-22 | 20,494 | 2,978 | 23,472 | 21,636 | 1,269 | 22,905 |
| 2022-23 | 21,414 | 2,630 | 24,044 | 22,162 | 1,300 | 23,462 |
| 2023-24 | 22,375 | 2,322 | 24,697 | 22,764 | 1,335 | 24,100 |
| 2024-25 | 23,379 | 2,050 | 25,430 | 23,440 | 1,375 | 24,815 |
| 2025-26 | 24,429 | 1,810 | 26,239 | 24,186 | 1,419 | 25,604 |
| 2026-27 | 25,525 | 1,599 | 27,123 | 25,001 | 1,466 | 26,468 |
| 2027-28 | 26,670 | 1,412 | 28,082 | 25,885 | 1,518 | 27,403 |
| 2028-29 | 27,867 | 1,246 | 29,114 | 26,836 | 1,574 | 28,410 |
| 2029-30 | 29,118 | 1,101 | 30,219 | 27,854 | 1,634 | 29,488 |
| ***Total*** | *240,886* | *20,520* | ***261,406*** | *240,951* | *14,133* | ***255,084*** |

The present value of fee revenue over 10 years is estimated to be $63.69 million, as shown in Table A3.10. Revenue generated under Option 3 for 2020-21 covers 5.63%[[211]](#footnote-211) of all costs of emergency attendance for false alarms estimated for 2018-19.

**Table A3.10: Estimated revenue from partial cost recovery fees under Option 3**

**(quarterly hour per appliance and a maximum fee of $1,600) – 2020-21 to 2029-30**

| **Year** | **Total FRV**  **transactions under Option 3**  **(l) = (j) + (k)** | **Partial cost recovery fee** | **False alarm charges** | **False alarm charges (Present value 2019-20 dollars)[[212]](#footnote-212)** |
| --- | --- | --- | --- | --- |
| 2020-21 | 22,431 | $310.88 | $6,973,337 | $6,705,132 |
| 2021-22 | 22,905 | $310.88 | $7,120,684 | $6,583,472 |
| 2022-23 | 23,462 | $310.88 | $7,294,019 | $6,484,356 |
| 2023-24 | 24,100 | $310.88 | $7,492,243 | $6,404,400 |
| 2024-25 | 24,815 | $310.88 | $7,714,469 | $6,340,732 |
| 2025-26 | 25,604 | $310.88 | $7,960,010 | $6,290,911 |
| 2026-27 | 26,468 | $310.88 | $8,228,349 | $6,252,869 |
| 2027-28 | 27,403 | $310.88 | $8,519,132 | $6,224,846 |
| 2028-29 | 28,410 | $310.88 | $8,832,150 | $6,205,351 |
| 2029-30 | 29,488 | $310.88 | $9,167,325 | $6,193,117 |
| ***Total*** | ***255,084*** |  | ***$79,301,717*** | ***$63,685,186*** |

## A3.5 **Option 4** – Partial cost recovery of emergency attendance of false alarms per attendance (fixed fee)

### A3.5.1 Option 4 fee

The partial cost recovery fee under Option 4 involves setting a fixed fee for false alarm attendances *per attendance*. The fee is based on a partial recovery of 12.39% of the full cost per attendance of $12,909[[213]](#footnote-213), and similar to the percentage of cost recovered under Option 3. This would make the ***fixed fee equal to $1,600 per attendance***.

### A3.5.2 Option 4 fee revenue

Estimating the fee revenue under Option 4, requires converting the projected volume of ‘quarterly hour’ transactions for FRV to the projected volume of ‘attendances’ using the following algorithm:

Estimated FRV attendances[[214]](#footnote-214) = Projected volume of quarterly hour transactions ÷ 4 ÷ 1.29 appliance hours[[215]](#footnote-215)

As with Option3, the present value of fee revenue for Option 4 over 10 years is estimated to be $65.26 million, as shown in Table A3.9. Revenue generated under Option 4 for 2020-21 covers 5.77%[[216]](#footnote-216) of all costs of emergency attendance for false alarms estimated for 2018-19.

**Table A3.11: Estimated revenue from partial cost recovery fees under Option 4**

**(per attendance) – 2020-21 to 2029-30**

| **Year** | **FRV quarterly hour**  **transactions[[217]](#footnote-217)** | **Estimated FRV**  **attendances** | **Partial cost recovery fee** | **False alarm charges** | **False alarm charges (Present value 2019-20 dollars)[[218]](#footnote-218)** |
| --- | --- | --- | --- | --- | --- |
| 2020-21 | 22,987 | 4,466 | $1,600 | $7,146,165 | $6,871,312 |
| 2021-22 | 23,472 | 4,561 | $1,600 | $7,297,163 | $6,746,638 |
| 2022-23 | 24,044 | 4,672 | $1,600 | $7,474,795 | $6,645,065 |
| 2023-24 | 24,697 | 4,799 | $1,600 | $7,677,931 | $6,563,128 |
| 2024-25 | 25,430 | 4,941 | $1,600 | $7,905,666 | $6,497,881 |
| 2025-26 | 26,239 | 5,098 | $1,600 | $8,157,291 | $6,446,826 |
| 2026-27 | 27,123 | 5,270 | $1,600 | $8,432,281 | $6,407,840 |
| 2027-28 | 28,082 | 5,456 | $1,600 | $8,730,271 | $6,379,123 |
| 2028-29 | 29,114 | 5,657 | $1,600 | $9,051,046 | $6,359,145 |
| 2029-30 | 30,219 | 5,872 | $1,600 | $9,394,529 | $6,346,607 |
| **Total** | *261,406* | ***50,792*** |  | ***$81,267,138*** | ***$65,263,565*** |

# Appendix 4 – Nonmaterial impact/burden of proposed non-fee FRV regulations

The proposed non-fee regulations deal with matters that are fundamentally machinery in nature and/or are not considered likely to impose any appreciable burden, cost or disadvantage on the public. These are summarised in Table A4.1. The total incremental annual cost of the non-fee regulations is estimated to be approximately **$154,742 per annum**. The incremental present value cost of the non-fee regulations, as compared to the base case, is estimated to be ***$1,409,842*** ***over 10 years***.

**Table A4.1 – Incremental impact of the proposed non-fee FRV regulations**

| **Reg. No.** | **Description** | **Coverage/impact** | **Incremental annual cost** | **Cost imposed on** |
| --- | --- | --- | --- | --- |
| **1** | Objective | Machinery | N/A | N/A |
| **2** | Authorising provision | Machinery | N/A | N/A |
| **3** | Commencement | Machinery | N/A | N/A |
| **4** | Revocation | Machinery | N/A | N/A |
| **5** | Definitions | Machinery | N/A | N/A |
| **6** | Insignia of the Fire Rescue Victoria | The insignia set out in Schedule 1 may be used on clothing worn by the Fire Rescue Commissioner, operational staff or any other person acting in the lawful execution of a power conferred by the Act or these Regulations; or on any other property whatever used for the purposes of the Act or these Regulations. | N/A | N/A |
| **7** | Service for the purpose of long service leave | Continuous service with Fire Rescue Victoria where long service leave/pay in lieu has not been granted; commencing not more than 4 weeks from termination (or any longer period Fire Rescue Victoria having regard to any special circumstances relating to any officer or employee may determine); and includes period of war service in the Australian armed forces that ended not more than 12 months before commencement of any other service or employment which under this regulation entitles the officer or employee to long service leave. | N/A | N/A |
| **8** | Appointments by FRV | Applicants for appointment are required to satisfy a medical officer of their fitness for service and provide consent for a criminal record search to be conducted | $80,509[[219]](#footnote-219) | FRV |
| **8** | Appointments by FRV | Applicant’s own time cost for attending medical consultation for appointment as an employee of FRV. | $20,240[[220]](#footnote-220) | Applicant |
| **9** | Fitness for duty | Operational staff member to satisfy a medical officer that he or she is fit for duty. | $18,939[[221]](#footnote-221) | FRV |
| **9** | Fitness for duty | Operational staff member to attend fitness for duty examination | $7,774[[222]](#footnote-222) | FRV operational staff member |
| **10** | Conditions of promotion | Procedural requirements for the promotions process | $18,554[[223]](#footnote-223) | FRV |
| **10** | Conditions of promotion | Operational staff members are required to adhere to procedural requirements for promotions process | $8,726[[224]](#footnote-224) | FRV  operational staff member |
| **11** | General Orders | The provision for recording of orders issued and making them available electronically | N/A | N/A |
| **12** | Prohibitions on members | Specific prohibitions on the conduct of staff | N/A | N/A |
| **13** | Charges for offences | Set out procedures in relation to charges laid for offences under the Act | N/A | N/A |
| **14 &15** | Appeals | All information relevant to the appeal must be provided by the appellant. Appellant to be given a minimum of 14 days’ notice of a hearing being scheduled | N/A | N/A |
| **16** | Register to be kept | Requiring the Commission to keep a register of each appeal in which every entry must be signed | N/A | N/A |
| **22** | Fire prevention notices | Prescribes the form of a fire prevention notice and the form to be published in a newspaper where the owner of the property or their whereabouts is unknown | N/A | N/A |
| **23 to 29** | Alarm monitoring information | Information that a person who conducts a fire alarm monitoring service must provide, on written notice, to the fire services, and the prescribed timeframes for providing such information, in the case of an alarm pre-connection, connection, modification and disconnection, and for verification purposes. | N/A | N/A |
| **Total annual cost** | | | **$154,742** |  |
| ***Total 10-year present value[[225]](#footnote-225) cost*** | | | ***$1,409,842*** |  |

# Appendix 5 – Annual cost estimate of fire protection services

The cost estimate of fire protection services is undertaken using the following hourly charge out rates as summarised in column 3 in Table A5.1:

**Table A5.1 – Hourly charge out rates for staff involved in fire protection services**

|  |  |  |
| --- | --- | --- |
| **Staff Level** | **Hourly salary rate** | **Hourly salary rate with salary on costs and overheads[[226]](#footnote-226)** |
| MFB 5 | $53.28 | $75.82 |
| MFB 4 | $40.92 | $58.23 |
| MFB 3 | $32.72 | $46.56 |
| Cmdr (Commander) | $72.42 | $103.07 |
| S.S.O (Senior Station Officer) | $60.37 | $85.92 |
| S.O (Station Officer) | $56.24 | $80.04 |
| MFB 6 | $64.43 | $91.70 |

The estimated cost of fire protection services for FRV includes the volume of services to be provided by CFA integrated stations and is given as **$1,610,917** in 2018-19 or ***$13,065,979*** over 10 years in present value dollars – as shown in Table A5.2.

**Table A5.1 – Estimated annual cost of fire protection services – 2018-19[[227]](#footnote-227)**

| **Area/Function/Task** | **FTE** | **Staff level** | **Average Annual hours** | **Hourly charge out rate** | **Annual cost** |
| --- | --- | --- | --- | --- | --- |
| **Community Safety Technical Department** |  |  |  |  |  |
| **Fire Engineering Briefs (IFEG 2005 Stakeholder Consultation)** |  |  |  |  |  |
| Administration: Receive and log electronic application; Telephone inquiry/follow up with applicant; Create file and allocate job number; and Populate template | 1 | MFB 3 | 303 | $47 | $14,108 |
| Supporting documentation review: Participation in conceptual design meeting or teleconference; and Desktop analysis review | 2 | MFB 6 | 1818 | $92 | $166,718 |
| Site inspection: Only applies to existing buildings that are being altered or extended | 1 | MFB 6 | 76 | $92 | $6,947 |
| Report preparation & processing: Generate report; Update job tracking; and Send correspondence | 2 | MFB 6 | 1515 | $92 | $138,932 |
| Reassessment: Desktop analysis of resubmission; Generate report; Update job tracking; and Send correspondence | 1 | MFB 6 | 455 | $92 | $41,680 |
| **Subtotal annual cost** |  |  |  |  | **$368,385** |
| **Fire Engineering Reports/DG Risk Assessment Reports** |  |  |  |  |  |
| Supporting documentation review: Desktop analysis review; and Internal liaison with BC&A officer | 1 | MFB 6 | 983 | $92 | $90,168 |
| Report preparation & processing: Generate internal report; Update job tracking; and Send internal/external correspondence | 1 | MFB 6 | 219 | $92 | $20,037 |
| Reassessment: Desktop analysis of resubmission; Generate report; Update job tracking; and Send internal/external correspondence | 1 | MFB 6 | 656 | $92 | $60,112 |
| **Subtotal annual cost** |  |  |  |  | **$170,318** |
| **Inspections – Building or DG sites** |  |  |  |  |  |
| Conduct joint on-site inspection with BC&A officer & generate internal report | 1 | MFB 6 | 156 | $92 | $14,306 |
| **Subtotal annual cost** |  |  | **156** |  | **$14,306** |
| **MHF Safety Case Reviews** |  |  |  |  |  |
| Desktop analysis of Major Hazard Facility safety case review and report | 1 | MFB 6 | 150 | $92 | $13,756 |
| **Subtotal annual cost** |  |  |  |  | **$13,756** |
| **BCA** |  |  |  |  |  |
| **Fire Protection report – Reg 309/129 Building Regulations 2018** |  |  |  |  |  |
| Administration (telephone enquiry, application processing) | 1 | MFB 4 | 1200 | $58 | $69,879 |
| Report preparation & processing | 1 | S.O | 1200 | $80 | $96,052 |
| Report forwarding and job tracking | 1 | S.O | 180 | $80 | $14,408 |
| Report sign off by Commander – email to client and job tracking | 1 | Cmdr | 500 | $103 | $51,534 |
| Admin processing and invoicing | 1 | MFB 4 | 740 | $58 | $43,092 |
| **Subtotal annual cost** |  |  |  |  | **$274,965** |
| **Fire Protection report – Reg 1003/187 Building Regulations 2018** |  |  |  |  |  |
| Administration (telephone enquiry, application processing) | 1 | MFB 3 | 1000 | $47 | $46,562 |
| Supporting documentation review | 1 | S.O | 500 | $80 | $40,022 |
| Report action & implementation – forwarding to client | 1 | S.O | 750 | $80 | $60,032 |
| Commander review | 1 | Cmdr | 200 | $103 | $20,614 |
| Admin processing and invoicing | 1 | MFB 3 | 250 | $47 | $11,640 |
| **Subtotal annual cost** |  |  |  |  | **$178,870** |
| **Letters of Advice (& pre application review) with regards to general fire protection correspondence** |  |  |  |  |  |
| Pre application review / meeting average 700 contact p.a. | 2 | S.O | 1500 | $80 | $120,065 |
| **Subtotal annual cost** |  |  |  |  | **$120,065** |
| **Inspections of buildings, fire protection systems and perimeter access roads** |  |  |  |  |  |
| Site inspection booking | 1 | S.O | 250 | $80 | $20,011 |
| Site inspection and compliance follow ups | 2 | S.O | 2000 | $80 | $160,086 |
| **Subtotal annual cost** |  |  |  |  | **$180,097** |
| **Modification Section 160a Building Act 1993-MFB response to Building appeals Board (incl. Cladding related BAB applications)** |  |  |  |  |  |
| Administration – receipt of documentation and file governance | 1 | MFB 3 | 700 | $47 | $32,593 |
| Supporting documentation review | 1 | S.S.O | 300 | $86 | $25,776 |
| Report preparation & processing | 1 | S.S.O | 150 | $86 | $12,888 |
| Administration – receipt of determination and processing | 1 | MFB 3 | 100 | $47 | $4,656 |
| **Subtotal annual cost** |  |  |  |  | **$75,913** |
| **Dangerous Goods** |  |  |  |  |  |
| **Reports or letters of advice** |  |  |  |  |  |
| Administration (telephone enquiry, application processing) | 1 | S.O | 153 | $80 | $12,231 |
| Supporting documentation review | 1 | S.O | 288 | $80 | $23,020 |
| Site Inspection | 2 | S.O | 1344 | $80 | $107,546 |
| Report preparation & processing | 1 | S.O | 440 | $80 | $35,251 |
| Report action & implementation | 1 | S.O | 209 | $80 | $16,761 |
| Compliance review & Acknowledgement | 1 | S.O | 153 | $80 | $12,231 |
| **Subtotal annual cost** |  |  |  |  | **$207,040** |
| **Building Inspection and Compliance unit** |  |  |  |  |  |
| **Inspections at Places of Public Entertainment (POPEs)** |  |  |  |  |  |
| Administration: Receive request, save information and create file | 1 | S.O | 2 | $80 | $120 |
| Supporting documentation review: A pre-inspection meeting, review of plans, past approvals and past MFB observational data is conducted | 1 | S.O | 6 | $80 | $480 |
| Inspection: Travel time to and from major event, including time: for 6 major events | 2 | S.O | 54 | $80 | $4,322 |
| Revisits to major events, which occur approximately for 2 of the major events | 2 | S.O | 9 | $80 | $720 |
| Inspections: for non-major functions | 1 | S.O | 12 | $80 | $961 |
| Reporting: Generation of inspection observation correspondence, fielding of telephone calls and reviewing e-mailed submissions; Further written notification and verbal advice from BICD Station Officer to responding operational fire stations (for 6 major events) | 1 | S.O | 8 | $80 | $600 |
| **Subtotal annual cost** |  |  |  |  | **$7,204** |
| ***Total annual cost*** |  |  |  |  | ***$1,610,917*** |

# Appendix 6 – False alarm call data

Table A6.1 shows the proportion of false alarm calls to all calls for MFB between 1984-85 to 2018-19 with a significant fall in this proportion over time.

**Table A6.1: False alarm calls and all calls to MFB 1984-85 to 2018-19[[228]](#footnote-228)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Financial year** | **No. False alarm Calls** | **No. Calls (All)** | **% False alarm calls to All calls** |
| 1984-85 | 13378 | 20194 | 66% |
| 1985-86 | 25598 | 37452 | 68% |
| 1986-87 | 24870 | 36992 | 67% |
| 1987-88 | 25504 | 38171 | 67% |
| 1988-89 | 28461 | 40998 | 69% |
| 1989-90 | 28297 | 41910 | 68% |
| 1990-91 | 23094 | 36340 | 64% |
| 1991-92 | 19495 | 31237 | 62% |
| 1992-93 | 18118 | 29238 | 62% |
| 1993-94 | 16328 | 27003 | 60% |
| 1994-95 | 16126 | 29086 | 55% |
| 1995-96 | 16358 | 28884 | 57% |
| 1996-97 | 18066 | 33640 | 54% |
| 1997-98 | 16907 | 32116 | 53% |
| 1998-99 | 16157 | 31417 | 51% |
| 1999-00 | 16736 | 33957 | 49% |
| 2000-01 | 15821 | 35534 | 45% |
| 2001-02 | 14307 | 32239 | 44% |
| 2002-03 | 14102 | 33586 | 42% |
| 2003-04 | 13801 | 31615 | 44% |
| 2004-05 | 13980 | 31170 | 45% |
| 2005-06 | 14766 | 33224 | 44% |
| 2006-07 | 15309 | 36364 | 42% |
| 2007-08 | 15378 | 35669 | 43% |
| 2008-09 | 15072 | 35712 | 42% |
| 2009-10 | 14523 | 33443 | 43% |
| 2010-11 | 15976 | 34428 | 46% |
| 2011-12 | 15506 | 35139 | 44% |
| 2012-13 | 15259 | 36109 | 42% |
| 2013-14 | 15437 | 36747 | 42% |
| 2014-15 | 15685 | 36923 | 42% |
| 2015-16 | 16836 | 37940 | 44% |
| 2016-17 | 18372 | 38956 | 47% |
| 2017-18 | 17408 | 39436 | 44% |
| 2018-19 | 16283 | 37783 | 43% |

Table A6.2 shows the proportion of false alarm calls at protected premises to all calls for CFA integrated stations between 2015-16 and 2018-19.

**Table A6.2: False alarm calls at protected premises and all calls to CFA integrated stations 2015-16 to 2018-19[[229]](#footnote-229)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **No. False alarm Calls** | **No. Calls (All)** | **% False alarm calls to All calls** |
| 2015-16 | 2113 | 18569 | 11% |
| 2016-17 | 3112 | 19546 | 16% |
| 2017-18 | 3096 | 20871 | 15% |
| 2018-19 | 3019 | 22353 | 14% |

# Appendix 7 – Proposed Fire Rescue Victoria (General) Regulations 2020

1. Depending on the size of business and the risk-taking profile of owners who may wish to circumvent their Alarm Signalling Equipment to avoid a high fee. [↑](#footnote-ref-1)
2. Government of Victoria, January 2013, Cost Recovery Guidelines, Department of Treasury and Finance, Melbourne [↑](#footnote-ref-2)
3. Estimate based on revenue for 2018-19 for MFB. [↑](#footnote-ref-3)
4. http://www.mfb.vic.gov.au/Industry/Managing-False-Alarms/Direct-Automatic-Alarms/How-a-Typical-System-Works-.html (Accessed 16 July 2016) [↑](#footnote-ref-4)
5. Http://www.vic.gov.au/fire-services-reform (accessed 4 March 2020) [↑](#footnote-ref-5)
6. http://www.mfb.vic.gov.au/Industry/Managing-False-Alarms/Maintenance-of-false-alarm-systems.html [↑](#footnote-ref-6)
7. https://www.vic.gov.au/fire-services-reform [↑](#footnote-ref-7)
8. MFB Annual Report 2018-19 [↑](#footnote-ref-8)
9. Http://www.vic.gov.au/fire-services-reform (accessed 4 March 2020) [↑](#footnote-ref-9)
10. http://www.mfb.vic.gov.au/Industry/Managing-False-Alarms.html (accessed 4 March 2020) [↑](#footnote-ref-10)
11. Data breakdown provided by MFB and CFA, consistent with 2018-19 CFA and MFB Annual Reports. [↑](#footnote-ref-11)
12. This relates only to findings and not cases lodged and then withdrawn etc. [↑](#footnote-ref-12)
13. Data provided by MFB and CFA. [↑](#footnote-ref-13)
14. Includes calls responded to in CFA area. [↑](#footnote-ref-14)
15. For example, assisting Ambulance Victoria by providing cardiopulmonary resuscitation (CPR) and defibrillation (where first on the scene). [↑](#footnote-ref-15)
16. Data provided by MFB. [↑](#footnote-ref-16)
17. Other than EMRs. [↑](#footnote-ref-17)
18. Any firefighting or emergency response vehicle that is used by operational staff members. [↑](#footnote-ref-18)
19. Data provided by MFB. [↑](#footnote-ref-19)
20. Other than EMRs. [↑](#footnote-ref-20)
21. Fire drill training as opposed to professional development training. [↑](#footnote-ref-21)
22. Data provided by MFB. [↑](#footnote-ref-22)
23. Other than EMRs. [↑](#footnote-ref-23)
24. Data provided by CFA. [↑](#footnote-ref-24)
25. https://www.cfa.vic.gov.au/about/what-we-do [↑](#footnote-ref-25)
26. A brigade or other fire or emergency service unit established under the Act. [↑](#footnote-ref-26)
27. http://www.vba.vic.gov.au/practitioners/legislation#the\_building\_act\_\_\_\_\_ (accessed, 7 July 2016). [↑](#footnote-ref-27)
28. For the purposes of section 75A(d) of the Act. [↑](#footnote-ref-28)
29. Made under section 80(1) of the Act. [↑](#footnote-ref-29)
30. As defined in section 79P(3) of the Act. [↑](#footnote-ref-30)
31. An appellant must give notice of an appeal under section 79H of the Act. [↑](#footnote-ref-31)
32. Made under section 32(D) of the Act. [↑](#footnote-ref-32)
33. Subject to any direction of the Minister under section 8 of the Act, the charges set by the Board from time to time under section 55C of the Act may be such charges as the Board thinks fit. [↑](#footnote-ref-33)
34. Board can charge fee for rescue services provided to people entitled to compensation under: section 60(2)(a) of the Transport Accident Act 1986; section 99(1)(a) of the Accident Compensation Act 1985; or section 224(1)(a) of the Workplace Injury Rehabilitation and Compensation Act 2013. [↑](#footnote-ref-34)
35. For the purpose of sections 87(3) and 88(3)(b) of the Act. [↑](#footnote-ref-35)
36. http://www.vba.vic.gov.au/practitioners/legislation#building\_regulations (accessed 7 July 2016). [↑](#footnote-ref-36)
37. Made under section 18 of the Building Act 1993. [↑](#footnote-ref-37)
38. Currently 39.06 fee units or $578.48. [↑](#footnote-ref-38)
39. See Table A3.1 in Appendix 3 for source of estimate. [↑](#footnote-ref-39)
40. See Table A3.1 in Appendix 3 for source of estimate. [↑](#footnote-ref-40)
41. See Table A3.3 in Appendix 3 for source of estimate. [↑](#footnote-ref-41)
42. In respect of an attendance of a unit in response to a hazardous materials incident or toxic fire incident. [↑](#footnote-ref-42)
43. Data provided by CFA. [↑](#footnote-ref-43)
44. With regards to regulation 21 costs have increased since 2016-17 by about $1.1 million. [↑](#footnote-ref-44)
45. Data provided by CFA. [↑](#footnote-ref-45)
46. Data provided by CFA. [↑](#footnote-ref-46)
47. Where compensation of persons involved in incident comes under section 60(2)(a) of the Transport Accident Act 1986 [↑](#footnote-ref-47)
48. Where compensation of persons involved in incident comes under section 99(1)(a) of the Accident Compensation Act 1985 or section 224(1)(a) of the Workplace Injury Rehabilitation and Compensation Act 2013 [↑](#footnote-ref-48)
49. Under Reg.129, Building Regulations 2018 and includes reports to building surveyors. [↑](#footnote-ref-49)
50. Under Reg.187(1), Building Regulations 2018 and includes reports to building surveyors. [↑](#footnote-ref-50)
51. This does not include services provided by CFA around ‘fire readiness’ which a number of commercial operators also provide in a competitive market and at a common market rate of around $250 per hour. [↑](#footnote-ref-51)
52. Under Reg 49, Dangerous Goods (Storage & Handling Regulations) 2012 [↑](#footnote-ref-52)
53. Under Dangerous Goods (Explosives) Regulations 2011 [↑](#footnote-ref-53)
54. Under Occupational Health and Safety Regulations 2017 [↑](#footnote-ref-54)
55. Ancillary function of Reg.129, Building Regulations 2018 [↑](#footnote-ref-55)
56. Data provided by MFB on behalf of MFB and CFA. [↑](#footnote-ref-56)
57. Based on average revenue of $285.94, $303.24, and $301.15 per transaction in 2018-19, 2017-18 and 2016-17, respectively, divided by $121 per hour (Data provide by MFB). [↑](#footnote-ref-57)
58. Based on average revenue of $285.94, $303.24, and $301.15 per transaction in 2018-19, 2017-18 and 2016-17, respectively, divided by $121 per hour (Data provide by MFB). [↑](#footnote-ref-58)
59. Calculated using a 4% real discount rate. [↑](#footnote-ref-59)
60. Guidance note 230 *Subordinate Legislation Act 1994* Guidelines 2016. [↑](#footnote-ref-60)
61. Government of Victoria, 2014, Victorian Guide to Regulation, Department of Treasury and Finance, Melbourne, page 4. [↑](#footnote-ref-61)
62. Guidance note 230 *Subordinate Legislation Act 1994* Guidelines 2016. [↑](#footnote-ref-62)
63. Government of Victoria, 2016, *Victorian Guide to Regulation*: A handbook for policy-makers in Victoria, Department of Treasury and Finance, Melbourne. [↑](#footnote-ref-63)
64. For both MFB and CFA. [↑](#footnote-ref-64)
65. See sections 32B (1) and (2) of the Act [↑](#footnote-ref-65)
66. SCRGSP (Steering Committee for the Review of Government Service Provision) 2015, Report on Government Services 2015, vol. D, Emergency management, Productivity Commission, Canberra. [↑](#footnote-ref-66)
67. An alarm system may be partly monitored (only some of the systems on site are connected to the fire services - e.g. The sprinkler system is connected but the smoke detection system is not) (See Monitored Automatic Alarms: A Guide for Building Owners & Managers 3rd edition). [↑](#footnote-ref-67)
68. Based on data provided by MFB across 3 monitoring companies. [↑](#footnote-ref-68)
69. See sections 32B (1) and (2) of the Act [↑](#footnote-ref-69)
70. Estimates are presented as whole numbers for ease of presentation only. [↑](#footnote-ref-70)
71. See Table A3.5 of Appendix 3 for source of estimate. [↑](#footnote-ref-71)
72. See Table 11 of this RIS. [↑](#footnote-ref-72)
73. Calculated as 1,662 transactions x 2.5 average hrs per transaction x $121.00 = $502,755 [↑](#footnote-ref-73)
74. See Table A5.2 of Appendix 5 for source of estimate (i.e. sum of BCA activities excluding Modification Section 160a Building Act 1993-MFB response to Building appeals Board (incl. Cladding related BAB applications)). [↑](#footnote-ref-74)
75. Data provided by MFB. [↑](#footnote-ref-75)
76. See sections 32B (1) and (2) of the Act [↑](#footnote-ref-76)
77. SCRGSP (Steering Committee for the Review of Government Service Provision) 2015, Report on Government Services 2015, vol. D, Emergency management, Productivity Commission, Canberra. [↑](#footnote-ref-77)
78. See Table A2.5 of Appendix 2 for source of estimate. [↑](#footnote-ref-78)
79. Data provided by MFB for 28,461 calls for false alarms for an estimated 7,150 ASEs. [↑](#footnote-ref-79)
80. See Glossary for description of management and maintenance [↑](#footnote-ref-80)
81. Table updated by MFB 2019. [↑](#footnote-ref-81)
82. Fees do not include GST [↑](#footnote-ref-82)
83. This is estimated using the projected number of quarterly hour transactions for 2019-20 (i.e. 18,686 (see Table A3.4 of Appendix 3 for source of estimate)) and the current quarterly hour fee of $578.48 for MFB + 3,766 (see Table A3.4 of Appendix 3 for source of estimate) and the current quarterly hour fee of $584.25. [↑](#footnote-ref-83)
84. Estimated as the proportion of revenue raised in 2018-19 by MFB and CFA (integrated stations only) to total estimated annual cost of false alarm attendances for MFB and CFA integrated stations combined: ($10,137,000 (MFB) + $2,463,590 (CFA integrated stations) divide by ($98,128,758 (MFB) + $25,563,816 (CFA integrated stations = 13.12%) [↑](#footnote-ref-84)
85. Government of Victoria, January 2013, *Cost Recovery Guidelines*, Department of Treasury and Finance, Melbourne [↑](#footnote-ref-85)
86. Government of Victoria, January 2013, *Cost Recovery Guidelines*, Department of Treasury and Finance, Melbourne [↑](#footnote-ref-86)
87. Government of Victoria, January 2013, *Cost Recovery Guidelines*, Department of Treasury and Finance, Melbourne [↑](#footnote-ref-87)
88. Reasonable excuse exemptions may take consideration of various factors *such as* the overall management and maintenance of alarm systems, frequency of false alarms, as well as, other relevant matters. In the general sense, consideration may be made as to whether or not the cause of the false alarm was beyond the control of the owner of the ASE (Alarm Signalling Equipment). [↑](#footnote-ref-88)
89. Blackstone, E.A., Buck, A.J., and Hakim, S., November 2007, The Economics of Emergency Response, p.3. [↑](#footnote-ref-89)
90. Buck, A.J., Blackstone, E.A., and Hakim, S., January 7, 2004, Evaluation of Alternative Policies to Combat False Emergency Calls, p.6. [↑](#footnote-ref-90)
91. This is notwithstanding that some building owners/managers may pass on charges for false alarms onto occupiers of the premises where the false alarm occurred however statistics on the extent of this behaviour (i.e. how many of the ASEs are affected) is unavailable. [↑](#footnote-ref-91)
92. Government of Victoria, January 2013, *Cost Recovery Guidelines*, Department of Treasury and Finance, Melbourne [↑](#footnote-ref-92)
93. Blackstone, E.A., Buck, A.J., and Hakim, S., November 2007, The Economics of Emergency Response, p.8. [↑](#footnote-ref-93)
94. Monitored Automatic Alarms: A Guide for Building Owners & Managers 3rd edition. [↑](#footnote-ref-94)
95. Monitored Automatic Alarms: A Guide for Building Owners & Managers 3rd edition. [↑](#footnote-ref-95)
96. Anecdotal evidence provided by MFB. [↑](#footnote-ref-96)
97. Data provided by MFB. [↑](#footnote-ref-97)
98. Equal to $9,913.20 based on the value of a penalty unit of $165.22. [↑](#footnote-ref-98)
99. Monitored Automatic Alarms: A Guide for Building Owners & Managers 3rd edition. [↑](#footnote-ref-99)
100. $3.5 million in 2007 indexed using CPI of 87.7 for June 2007 and 116.9 for Dec 2019 (see Australian Bureau of Statistics, Consumer Price Index, cat. no 6401.0 and OBPR, Best Practice Regulation Guidance Note Value of statistical life December 2014) [↑](#footnote-ref-100)
101. Based on estimate of $71,056 in November 2012 (see Ahn, C.S., and Maitz, P.K.M, (November 2012), “The True Cost of Burn”, *Burns*, Volume 38, Issue 7, Pages 967–974) and indexed using CPI of 102.0 for December 2012 and 116.9 for Dec 2019) (see Australian Bureau of Statistics, Consumer Price Index, cat. no 6401.0) [↑](#footnote-ref-101)
102. Based on data provided by MFB. [↑](#footnote-ref-102)
103. Based on a salary of $144,299 including on costs (see Table A1.1 in Appendix 1 for source of estimate). [↑](#footnote-ref-103)
104. Estimated as 5% of 8,567 ASEs x $3,387.49. [↑](#footnote-ref-104)
105. See Table A3.6 for source of estimate in Appendix 3. [↑](#footnote-ref-105)
106. Calculated as $56,358,829 less $13,009,227 = $43,349,602 [↑](#footnote-ref-106)
107. This is estimated using the projected number of quarterly hour transactions for 2019-20 (i.e. 18,686 (see Table A3.4 of Appendix 3 for source of estimate)) and the current quarterly hour fee of $578.48 for MFB + 3,766 (see Table A3.4 of Appendix 3 for source of estimate) and the current quarterly hour fee of $584.25. [↑](#footnote-ref-107)
108. This comprises the Fire Services Property Levy and funding from general revenue (see Table 1 in this RIS) [↑](#footnote-ref-108)
109. According to DJCS, cross-subsidisation is a fundamental principle of emergency response capability which enables an effective response to high risk events and surge capacity for out of scale events and a strength of Victoria’s Emergency Management model. [↑](#footnote-ref-109)
110. 46.09% of total cost of false alarm attendances $123,762,646 for 2018-19 (see Section A3.2.1 of Appendix 3 for source of estimate for 2018-19) [↑](#footnote-ref-110)
111. See Section A3.1.2 of Appendix 3 for a detailed discussion on the calculation of quarterly hourly costs [↑](#footnote-ref-111)
112. Calculated as $57,037,000 as a proportion of total cost of false alarm attendances $123,762,646 for 2018-19 (see Section A3.2.1 of Appendix 3 for source of estimate for 2018-19) [↑](#footnote-ref-112)
113. See Section A3.2.1 of Appendix 3 for a detailed discussion of the estimation of annual costs of false alarm attendances. [↑](#footnote-ref-113)
114. See Table A3.6 of Appendix 3 for source of estimate for 2020-21 [↑](#footnote-ref-114)
115. See Section A3.1.2 of Appendix 3 source of fee. [↑](#footnote-ref-115)
116. See Table A3.6 of Appendix 3 for source of estimate for 2020-21 [↑](#footnote-ref-116)
117. Calculated as $13,292,300 as a proportion of $123,762,646. [↑](#footnote-ref-117)
118. Calculated as $123,762,646 (total cost) less $13,292,300 (the amount recovered under Option 2) (see Table 19) [↑](#footnote-ref-118)
119. See Section A3.2.1 of Appendix 3 for a detailed discussion of the estimation of annual costs of false alarm attendances. [↑](#footnote-ref-119)
120. See Table A3.7 of Appendix 3 for source of estimate for 2020-21 [↑](#footnote-ref-120)
121. Based on current fee amounts of $578.48 for MFB $584.25 for CFA integrated stations and rounded to the nearest $100. [↑](#footnote-ref-121)
122. See Table A3.7 of Appendix 3 for source of estimate for 2020-21 [↑](#footnote-ref-122)
123. $6,973,337 as a proportion of $123,762,646. [↑](#footnote-ref-123)
124. Calculated as $123,762,646 (total cost) less $6,973,337 (the amount recovered under Option 3) (see Table 20) [↑](#footnote-ref-124)
125. See Section A3.2.1 of Appendix 3 for a detailed discussion of the estimation of annual costs of false alarm attendances. [↑](#footnote-ref-125)
126. See Table A3.9 of Appendix 3 for source of estimate for 2020-21 [↑](#footnote-ref-126)
127. Based on attendance fee of $1,600 for NSW = $1,600 (see A3.4.1 for detailed discussion on estimation of fee). [↑](#footnote-ref-127)
128. See Table A3.10 of Appendix 3 for source of estimate for 2020-21 [↑](#footnote-ref-128)
129. $7,146,165 as a proportion of $123,762,646. [↑](#footnote-ref-129)
130. Calculated as $123,762,646 (total cost) less $7,146,165 (the amount recovered under Option 4) (see Table 21) [↑](#footnote-ref-130)
131. See Section A3.2.1 of Appendix 3 for a detailed discussion of the estimation of annual costs of false alarm attendances. [↑](#footnote-ref-131)
132. See Table A3.11 of Appendix 3 for source of estimate for 2020-21 [↑](#footnote-ref-132)
133. Based on attendance fee of $1,600 for NSW = $1,600. [↑](#footnote-ref-133)
134. See Table A3.11 of Appendix 3 for source of estimate for 2020-21 [↑](#footnote-ref-134)
135. See A3.5 of Appendix 3 for estimate of full attendance cost of appliances per attendance. [↑](#footnote-ref-135)
136. A discount factor of 4% is used for present value calculations in this RIS, as recommended by BRV. [↑](#footnote-ref-136)
137. See Tables A3.6, A3.7, A3.8 and A3.9 for source of estimates for revenues. Estimate for 10-year revenue for current fee is based on projected quarterly hour transactions for MFB and CFA in Table A3.4 over 10 years (i.e. between 2020-21 and 2029-30) and respective fees of $578.48 for MFB and $584.25 for CFA. [↑](#footnote-ref-137)
138. A discount factor of 4% is used for present value calculations in this RIS, as recommended by BRV. [↑](#footnote-ref-138)
139. 23.04% of (+5) = (+1.2) [↑](#footnote-ref-139)
140. 349 out of the 4,460 invoiced [↑](#footnote-ref-140)
141. 12.39% x (+5) less 7.83% = (+0.57) [↑](#footnote-ref-141)
142. 12.39% x (+5) less 95.96% = (+0.03) [↑](#footnote-ref-142)
143. See ABS cat.3218.0 - Regional Population Growth, Australia, 2017-18 [↑](#footnote-ref-143)
144. 23.04% of (+5) = (+1.15) [↑](#footnote-ref-144)
145. 349 out of the 4,460 invoiced [↑](#footnote-ref-145)
146. 12.39% x (+5) less 7.83% = (+0.57) [↑](#footnote-ref-146)
147. 12.39% x (+5) less 87.74% = (+0.08) [↑](#footnote-ref-147)
148. Taken to be 10% of ASEs rewired by -5 = (-0.5). [↑](#footnote-ref-148)
149. Taken to be 10% of ASEs rewired by -5 x (0.5) less 7.83% = (-0.23) [↑](#footnote-ref-149)
150. Taken to be 10% of ASEs rewired by -5 x (0.5) + 10% of ASEs rewired by -5 x (0.5) x 87.74% less 7.83% = (-0.45) [↑](#footnote-ref-150)
151. 4 x the score of +0.685 under Option 2 = (-2.74) [↑](#footnote-ref-151)
152. Straight line relationship between two variables (i.e. a straight-line relationship between false alarm charges and the rate of circumvention). [↑](#footnote-ref-152)
153. To false alarms without a reasonable excuse [↑](#footnote-ref-153)
154. To false alarms without a reasonable excuse [↑](#footnote-ref-154)
155. $578.48 per appliance (39.06 fee units), per 15 minutes or part thereof with a maximum attendance fee of $1,600. [↑](#footnote-ref-155)
156. A small business is defined by the ABS as “a business employing less than 20 people” (see ABS, Small Business in Australia, Catalogue 1321.0) and likely to comprise of small neighbourhood shops (e.g. family dry cleaning business, bakery or café) [↑](#footnote-ref-156)
157. Large retail centres, universities, hospitals, warehouses, carparks and high-rise buildings. [↑](#footnote-ref-157)
158. There are approximately 8,567 ASEs in Victoria as at February 2020. [↑](#footnote-ref-158)
159. This figure has been rounded for presentation purposes only. [↑](#footnote-ref-159)
160. For example, a bakery will make $8,000 to $12,000 per week, a dry cleaner will make $6,000 to $8,000 per week and a café will make $10,000 to $15,000 per week (based on advice from commercial realtor). [↑](#footnote-ref-160)
161. A higher level of hours with respect to fire protection services currently supplied by MFB. [↑](#footnote-ref-161)
162. Government of Victoria, 2016, *Victorian Guide to Regulation*: A handbook for policy-makers in Victoria, Department of Treasury and Finance, Melbourne [↑](#footnote-ref-162)
163. See Table A3.7 of Appendix 3 for source of estimate. [↑](#footnote-ref-163)
164. This does not include services provided by CFA around ‘fire readiness’ which a number of commercial operators also provide in a competitive market and at a common market rate of around $250 per hour. [↑](#footnote-ref-164)
165. The fee was set by Gazettal on the 7th of May in 2007. [↑](#footnote-ref-165)
166. Calculated as projected revenue of $1.1 million x 10 years discounted by a 4% real discount rate. [↑](#footnote-ref-166)
167. Calculated as $0.50 million (1,662 transactions x 2.5hrs x $121) x 10 years discounted by a 4% real discount rate [↑](#footnote-ref-167)
168. Namely fire drills [↑](#footnote-ref-168)
169. Based on an on-cost of 0.2706 of salaries. [↑](#footnote-ref-169)
170. $2.92 per hour for 42 hours per week and 41 weeks per annum. [↑](#footnote-ref-170)
171. All dollar values are presented as whole numbers for simplicity of presentation however all calculations are based on non-rounded estimates. [↑](#footnote-ref-171)
172. Crewing factor represents actual FTE required for each operational staff member and considers the need to have staff members ‘effectively’ available for emergencies 24 hours a day, 7 days a week and 52 weeks a year. [↑](#footnote-ref-172)
173. Data provided by MFB. [↑](#footnote-ref-173)
174. Data provided by MFB. [↑](#footnote-ref-174)
175. This refers to professional development training by external organisations. [↑](#footnote-ref-175)
176. Based on an overhead of 17.9% of annual appliance staffing cost of $271,580,455. 17.9% is taken as the proportion of non-operational to operational staff (355/1,983). [↑](#footnote-ref-176)
177. See Table 6 in this RIS. [↑](#footnote-ref-177)
178. Calculated by apportioning $10,314.27 by the % total annual cost in Table A1.2 of Appendix 1 [↑](#footnote-ref-178)
179. Calculated by apportioning $10,314.27 by the % total annual cost in Table A1.2 of Appendix 1 [↑](#footnote-ref-179)
180. Calculated by apportioning $13,238.77 by the % total annual cost in Table A1.2 of Appendix 1. [↑](#footnote-ref-180)
181. This does not include one CFA vessel dispatched to Lake Eildon which is not part of CFA integrated stations. [↑](#footnote-ref-181)
182. Data provided by CFA 06 February 2020. [↑](#footnote-ref-182)
183. Data provided by CFA 06 February 2020. [↑](#footnote-ref-183)
184. Data provided by CFA 06 February 2020. [↑](#footnote-ref-184)
185. As shown in Table A1.2 the sub-total of indirect costs for MFB in 2018-19 is estimated as $93,052,980. Dividing total indirect costs for MFB in Table A1.2 by the sum of direct labour costs of $271,580,455 and direct ‘other’ appliance costs of $7,317,208 provides an overhead loading of 33.36%. [↑](#footnote-ref-185)
186. Data provided by CFA 06 February 2020. [↑](#footnote-ref-186)
187. At protected premises. [↑](#footnote-ref-187)
188. Data provided by CFA 06 February 2020. [↑](#footnote-ref-188)
189. Estimated as the 3,751 average annual hours spent by appliances on false alarm attendances at protected premises (see Table 7 of this RIS) as a proportion of 2,825 call outs for false alarms at protected premises (see Table 7 of this RIS) – between 2015-16 and 2018-19. [↑](#footnote-ref-189)
190. See Table A1.5 for source of estimate. [↑](#footnote-ref-190)
191. See Table A2.7 for source of estimate. [↑](#footnote-ref-191)
192. Adjustment made to $4,550,000 annual report figure by MFB to account for non-invoiced false alarm charges due to protected action. [↑](#footnote-ref-192)
193. Estimate only to account for non-invoiced false alarm charges due to protected action and based on an average 4.52% growth rate between 2005-06- and 2015-16 of quarterly hour transactions (see last column in Table A3.1). [↑](#footnote-ref-193)
194. Data provided by CFA 06 February 2020. [↑](#footnote-ref-194)
195. See column (x) of Table A3.2 for source of data. [↑](#footnote-ref-195)
196. One-off increase was an anomaly on advice from CFA and therefore not included in annual growth rate. [↑](#footnote-ref-196)
197. See Table A1.5 for source of estimate. [↑](#footnote-ref-197)
198. See Table A2.7 for source of estimate. [↑](#footnote-ref-198)
199. See Section A1.4 of Appendix 1 for source of estimate. [↑](#footnote-ref-199)
200. See Section A2.5 of Appendix 2 for source of estimate. [↑](#footnote-ref-200)
201. Based on previous advice from MFB. [↑](#footnote-ref-201)
202. Calculated using a 4% real discount rate. [↑](#footnote-ref-202)
203. $57,037,000 in 2020-21 (see Table A3.6) as a proportion of $123,762,646 in 2018-19 (see Section A3.2.1 of Appendix 3 for source of estimate). [↑](#footnote-ref-203)
204. Estimated as weighted appliance hours per false alarm attendance (1.28 appliance hours for MFB x 92.15% of total quarterly hour transactions + 1.32 appliance hours for CFA integrated stations x 7.85% of total quarterly hour transactions. [↑](#footnote-ref-204)
205. $13,292,300 in 2020-21 (see Table A3.7) as a proportion of $123,762,646 in 2018-19 (see Section A3.2.1 of Appendix 3 for source of estimate). [↑](#footnote-ref-205)
206. Calculated using a 4% real discount rate. [↑](#footnote-ref-206)
207. Estimated as weighted appliance hours per false alarm attendance (1.28 appliance hours per attendance for MFB x 92.15% of total quarterly hour transactions + 1.32 appliance hours per attendance for CFA integrated stations x 7.85% of total quarterly hour transactions (see Table A3.4). [↑](#footnote-ref-207)
208. It is noted the increasing the quarterly hour rate from the current fee of $578.48 to the full cost recovery level of $2,510.29 under Option 1 (an increase of 318.38%) results in a 10% reduction in the growth rate of transactions based on advice from MFB. Reducing the quarterly hour rate from the current fee of $578.48 under Option 2 to the partial cost recovery level of $310.88 under Option 3 (a drop by 48.19%) is estimated to increase the growth rate of transactions by around 0.7% (i.e. 318.38%/(48.19% x 10%) = 0.66%). [↑](#footnote-ref-208)
209. Data supplied by MFB [↑](#footnote-ref-209)
210. Data supplied by MFB [↑](#footnote-ref-210)
211. $7,146,165 in 2020-21 (see Table A3.10) as a proportion of $123,762,646 in 2018-19 (see Section A3.2.1 of Appendix 3 for source of estimate). [↑](#footnote-ref-211)
212. Calculated using a 4% real discount rate. [↑](#footnote-ref-212)
213. See Table A3.5 of Appendix 3 for source of estimate. [↑](#footnote-ref-213)
214. See Table A3.8 (column 4) for source of estimates. [↑](#footnote-ref-214)
215. Estimated as weighted appliance hours per false alarm attendance (1.28 appliance hours for MFB x 92.15% of total quarterly hour transactions + 1.32 appliance hours for CFA integrated stations x 7.85% of total quarterly hour transactions). [↑](#footnote-ref-215)
216. $7,146,165 in 2020-21 (see Table A3.9) as a proportion of $123,762,646 in 2018-19 (see Section A3.2.1 of Appendix 3 for source of estimate). [↑](#footnote-ref-216)
217. See Table A3.8 (column 4) for source of estimates. [↑](#footnote-ref-217)
218. Calculated using a 4% real discount rate. [↑](#footnote-ref-218)
219. **$225** for a consultation with a medical officer **plus $68** for drug screening x **232** applicants per annum (Current MFB (151) and estimate for CFA integrated stations (81)) **plus $66.50** for a criminal record search **x 190** applicants per annum (current MFB (124) and estimate for CFA integrated stations (66)) (2018-19) **= $80,509 per annum.** [↑](#footnote-ref-219)
220. One hour for applicants own time based on an hourly charge out rate of **$87.39 x** 232 applicants per annum (Current MFB (151) and CFA integrated stations (81) = **$20,240.26 per annum.** **$87.39** = $83,616 /(38\*44) x 1.165 x 1.5 where: $83,616 = average Victorian earnings of (ABS Catalogue 6302.0 - Average Weekly Earnings, Australia, May 2019);1.165 = on cost multiplier; 1.5 = overhead cost multiplier; 38 = hrs worked per week; and 44 = weeks per annum (see Victorian Competition and Efficiency Commission 2006, *Guidance Note on Suggested Default Methodology and Values for Staff Time in BIA/RIS Analysis*, Melbourne, p.3.) [↑](#footnote-ref-220)
221. **$252 x 75** fitness for duty examinations per annum (current MFB (49) and estimate for CFA integrated stations (26)) (in 2018-19) **= $18,939.37 per annum** [↑](#footnote-ref-221)
222. **$103.44** hrly charge out rate (uses lead firefighter salary of $98,969) **x 1** hour required **x 75** fitness for duty examinations per annum **= $7,774.01 per annum** [↑](#footnote-ref-222)
223. Procedural requirement costs for promotion of **$219.94** (Based on $200 2013-14 cost and adjusted using CPI index of 106.3 for Dec 2014 and 116.9 for Dec 2019) **x 84** promotions (current MFB (55) and estimate for CFA integrated stations (29)) (in 2018-19) = **$18,554.23 per annum** [↑](#footnote-ref-223)
224. **$103.44** hrly charge out rate (uses lead firefighter salary of $98,969) **x 84** promotions (current MFB (55) and estimate for CFA integrated stations (29)) (in 2018-19) = **$8,725.93 per annum** [↑](#footnote-ref-224)
225. Calculated using a 4% real discount rate. [↑](#footnote-ref-225)
226. Calculated using the product of the hourly salary rate and an on-cost overhead cost multiplier of 1.4. The on-cost multiplier is provided by MFB and reflects the sum of the total salary on costs (i.e. $669,099) and overhead costs (i.e. $94,216) has a proportion of total salary costs (i.e. $1,803,551). [↑](#footnote-ref-226)
227. Estimates have been rounded to the nearest dollar for ease of presentation only and therefore subject to calculation error if using these figures presented. [↑](#footnote-ref-227)
228. Data provided by MFB. [↑](#footnote-ref-228)
229. Data provided by CFA. [↑](#footnote-ref-229)