



22 May 2024

Emergency Services Levy Project Team
NSW Government

Via online submission portal - [Reforming the Emergency Services Funding System | Have Your Say\(nsw.gov.au\)](#)

Re: Reforming the emergency services funding system

The Property Council would like to thank the NSW Government for the opportunity to provide our written, consolidated feedback to the consultation paper *'Reforming the Emergency Services Funding System'*.

As Australia's peak representative of the property and construction industry, which employs more Australians than any other sector, the Property Council's members include investors, owners, managers and developers of property representing all asset classes across NSW.

The Property Council have a significant interest in reform to the current Emergency Services Levy (ESL) and are key contributors to the Stakeholder Reference Group, chaired by the NSW Treasurer.

We are supportive of this reform to correct the inefficiency of the current Emergency Services Levy and bring the approach to funding emergency services in NSW into alignment with other mainland Australian states.

This consultation paper outlines the proposed removal of the current levy on insurance and replacement with a levy on property, which will be designed with the underlying principles of neutral cost recovery, equity, efficiency, simplicity and sustainability. It is disappointing that all solutions for reform of emergency services funding have not been considered in the consultation paper, with the onus transferred for funding the state's emergency services from the insurance industry to the property industry being the only solution canvassed by the Government.

The Property Council agrees with the four foundational principles but are concerned the **four revenue base models proposed for consideration will not achieve the intended outcome**, as laid out by the NSW Government. It must be acknowledged that this reform is proposed in the midst of a once-in-a-generation housing supply and affordability crisis, as well a critical shortage of industrial land and low vacancy rates.

Reform to emergency services funding will be a costly exercise that this government should seek to achieve correctly from the outset. A replacement levy will need to be evidence based through financial modelling and meet the established tax design principles that support 'good' tax system design.

Our following response is aimed at supporting government in abolishing the existing ESL and providing options for a replacement model that will be truly effective, sustainable and efficient to ultimately fund NSW's critical emergency services.

In the first instance, we urge the NSW Government to consider a funding model similar to other core functions of the government sector, such as defence, law and order, education and welfare services. The current ESL funds Fire and Rescue NSW, The NSW Rural Fire Service and the NSW State Emergency Service. Importantly, these services provide safety/health/survival benefits to individuals (whatever their property ownership) as well as in terms of property protection and vehicle assistance.

Given the critical nature of emergency services and disasters becoming more frequent, intense and unpredictable, the allocation of funding as a core function of the government sector is logical, appropriate and reasonable. Importantly, such an approach avoids an additional tax on landowners and households who are struggling with both cost-of-living pressures and our housing supply and affordability crisis.

If a core function solution were not considered, government should give due consideration to all available options, such as user pay models, levies on motor vehicle registrations, goods, etc. Such options may better take into account that emergency services are required for a much wider range of incidents than those related to property, resulting in a system that is fairer and more sustainable. If government will not give consideration to other more equitable solutions, a property-based levy must be modelled on a range of key principles:

- all property – mobile and immobile – is captured, including vehicles given they benefit from the functions of emergency services,
- it is apportioned in a way that recognises risk,
- current contributions must not increase in real terms,
- it is calculated on unimproved land values,
- levies can be passed onto tenants.

In specific consideration of the four revenue base models proposed in the Consultation Paper, we have the following comments:

- Capital improved values: Such an approach is out of step with the current land tax approach in NSW, and would require a significant time and cost expenditure to establish and maintain. Furthermore, this disincentivises investment and improvements in property assets.
- Unimproved land values: This approach reflects the common and accepted tax approach in NSW, but would only be acceptable subject to the recommendations provided above.

- Gross rental values: This approach would require significant time and cost expenditure to establish and maintain, and does not acknowledge certain properties would never be rented.
- Fixed charges model: A one-size-fits-all fixed charge approach may not achieve the foundational principles of equity and simplicity. With refinement, such a system may be able to deliver fairness, but would require consideration and engagement with the established Reference Group.

We wish to reiterate that the property sector is already responsible for 18 per cent of Australia's tax receipts. During the Housing Accord period, where the government is calling on the property sector to deliver more homes than ever before, in conditions that are significantly challenging the viability of development, we caution against any additional burden that will make it unfeasible for our industry to deliver on this goal.

Again, we support the principle of this reform, particularly as insurance costs have been increasing rapidly in Australia over recent years and NSW home insurance premiums are estimated to be the third highest in Australia.

Recognising emergency services as a core function of government is a sensible approach for this reform that achieves the foundational principles described by government. Short of this, a property-based levy must acknowledge these principles, and ensure it does not place an additional burden on the property industry in the midst of the current housing crisis.

If you have any questions on our submission or wish to discuss the matter further please contact me on 0437 630 043 or kstevenson@propertycouncil.com.au.

Yours sincerely,



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