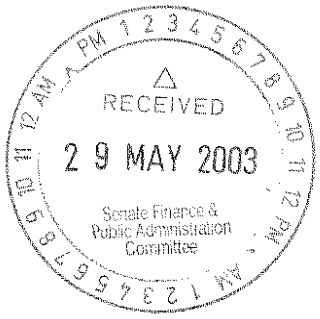
ATTACHMENT C

DEPARTMENT OF FINANCE AND ADMINISTRATION

OFFICE OF THE SECRETARY

Our Ref: 2002/391



Mr Robert Tonkin
Chief Executive
ACT Chief Minister's Department
GPO Box 158
CANBERRA ACT 2601

Dear Mr Tonkin

COMMONWEALTH FIRE SERVICES PAYMENTS TO THE AUSTRALIAN CAPITAL TERRITORY

I am writing in connection with the proposed new arrangements for the funding of fire services provided by the ACT Emergency Services Bureau (ESB) to Commonwealth-owned or occupied properties in the ACT. I have become concerned that, despite a number of meetings between officers of my Department and officers from the ESB, real progress is not being made to resolve this funding issue.

My Department is proposing that the funding methodology used to determine the annual payment for 2002-03 will be used to determine payments for subsequent years out to 2006-07 and also any arrears to be paid to the ESB for 2000-01 and 2001-02.

Officers of my Department have consistently proposed to the ESB that the ongoing Commonwealth funding arrangements should be largely on a "fee for service" basis, with a residual component to cover "capability". The "fee for service" methodology is consistent with the broad resource-based approach used for fire services funding provided for Commonwealth properties in other States and the NT. However, I understand that ESB has not provided "call out" data to demonstrate the level of service provided. This information would assist in better determining funding on a "fee for service" basis.

I am advised that ESB is seeking a payment of $6.22m in 2002-03, based on the "capability" that it considers needs to be maintained due to the unique concentration of Commonwealth property in the ACT.

I understand that the ESB proposal is substantively based on an assessment that 4 of the 16 urban fire stations in the ACT are necessary to provide capability to meet Commonwealth needs, that is, to achieve a 10 minute response time on 90% of occasions for fire and related incidents.

However, we have been unable to verify ESB's assessment that the Commonwealth's share of funding under its capability-based approach is $6.22m because data relevant to the assessment have not been provided.

I am concerned that the figure of $6.22m appears arbitrary, being exactly a quarter of the fire services component of ESB's budget for 2002-03. It is supported only by maps provided by ESB to justify the assertion that 4 of the 16 urban fires stations in the ACT are required to service Commonwealth needs. I consider that a more rigorous assessment is required of the costs involved in providing services to Commonwealth property.

In the absence of such an assessment, I cannot accept that the Commonwealth should be asked to fund a quarter of ESB's facilities and equipment, notwithstanding the unique circumstances of the Commonwealth's location in the ACT and the historical level of payments for this service. While annual payments in the second half of the 1990s were in the order of $5.5m to $5.8m, these were calculated according to a formula handed down from earlier years that was not based on a detailed evaluation of the services being provided.

Since 1998 the Commonwealth has divested a substantial amount of property in the ACT, on which rates are now being collected from private owners. The remainder of the Commonwealth property portfolio, though still extensive, generally has in-built fire protection which is superior to privately-owned premises (this is particularly so in the Parliamentary Triangle), a factor that also needs to be taken into account when considering the appropriate level of payment. I consider that these developments need to be factored into any calculation of a Commonwealth contribution to the ESB.

Against this background, Finance cannot accept that a payment to the ESB as high as $6.22m for 2002-03 represents "value for money" for the Commonwealth.

Despite a number of meetings and discussions between Finance and ESB officers and an exchange of information on the calculation methodology used by both sides, it seems that the ESB is unwilling to consider a figure anywhere near the amount my Department considers is reasonable for the Commonwealth to pay to the ESB.

I emphasise that Finance remains committed to paying the Commonwealth's fair share of costs of fire services to Commonwealth property in the ACT. However, before further progress can be made in the negotiations on this matter, Finance would need to receive a funding proposal which more realistically reflects the level of services provided for Commonwealth property in the ACT.

Yours sincerely

I J Watt
20 December 2002