

Friday, 27 August, 2010

GOVERNMENT ADOPTS RECOMMENDATION TO REPLACE FSL

The Brumby Labor Government has accepted in principle the 2009 Victorian Bushfires Royal Commission's recommendation to replace the Fire Services Levy with a progressive property-based levy and introduce concessions for low-income earners.

Treasurer John Lenders said the Fire Services Levy was already under review by the Brumby Labor Government and he would use the existing review process to determine the best model for the new levy.

"The Brumby Labor Government is taking the tough decisions and doing the hard work to keep Victoria fire ready and safe," Mr Lenders said.

"This reform will ensure that our fire services are funded more sustainably while also taking the squeeze off the cost of property insurance."

Mr Lenders said the existing green paper process and the Royal Commission had provided the Government with enough evidence to move to a property levy.

"However, the Royal Commission was silent on the fine details of how the levy would operate and our Government will work through how such a levy would be applied," Mr Lenders said.

"We want to ensure that the necessary funds are raised to sustain our crucial fire services."

Fire services are currently funded through a mix of funding through the Fire Services Levy on insurance premiums, direct contributions from the State Government and through metropolitan councils. Under the new arrangement the new levy would replace the money contributed through insurance premiums.

The Government started the process to determine the best model for the new levy by today releasing a set of policy principles that a new model would need to satisfy. The new model would be:

- A progressive property-based levy;
- Provide the same level of funding as the existing FSL to the CFA and MFESB respectively;
- Collect no more revenue than would be collected under the current model; and
- Provide a 50 per cent concession to low income earners.

The Government will embark on a period of thorough consultation to determine the best model and options will be put into a white paper which will be released in February.

The new system would be fully in place on 1 July 2012 to honour an undertaking made during the existing review process to the people of Victoria and the insurance industry that the transition would be as simple and easy as possible.

The Government will also take steps to ensure that the insurers pass on the full benefit from having the Fire Services Levy removed from premiums.

He said data collected to date showed some property owners in Victoria were getting a free ride because they were not insuring their properties.

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“This reform will ensure that everyone who has a property protected by our world-renowned fire fighters contributes to their budgets,” Mr Lenders said.

He said the previous government had promised to reform the system in 1992 but had failed to deliver because they found it too hard to implement.

“I call on the Opposition to support the four policy principles for the new model in a bipartisan way and work towards the best model for funding our fire services,” Mr Lenders said.

“Now is Ted Baillieu’s opportunity to join us in the hard policy work which we commenced in October last year.”

More details of the reform of the fire services levy including a copy of the Government’s green paper released in October is available at www.dtf.vic.gov.au