



Victorian
Competition & Efficiency
Commission

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Ms Sarah Harvey
Director Legal Policy & Executive Services
Emergency Management Victoria
Department of Justice
Level 23, 121 Exhibition Street
MELBOURNE VIC 3000

Dear Ms Harvey

ADVICE ON THE ADEQUACY OF REGULATORY IMPACT STATEMENT

Thank you for seeking advice on the Regulatory Impact Statement (RIS) on the proposed Country Fire Authority Regulations 2014.

The Victorian Competition and Efficiency Commission (VCEC) advises on the adequacy of RISs as required under section 10(3) of the *Subordinate Legislation Act 1994* (the Act). I advise the final version of the RIS received by the VCEC on 19 August 2014 meets the requirements of section 10 of the Act.

The VCEC's advice is based on the adequacy of the evidence presented in the RIS and is focused on the quality of the analysis rather than the merits of the proposal itself. **Therefore, the VCEC's advice the RIS is adequate does not represent an endorsement of the proposal.**

In reaching this view the VCEC notes that the RIS is for regulations with substantive impacts and that a proportionate approach therefore warrants robust analysis of the issues. The RIS is transparent about gaps in the available data, the limits to the data sources used and the extent to which these have prevented detailed analysis to support the preferred option.

In particular, the RIS acknowledges the lack of formal consultation conducted prior to publication regarding Country Fire Authority (CFA) administrative matters and the formation of forestry brigades. The RIS similarly notes that the assumptions and policy choices have been made in the absence of such consultation. Stakeholder views obtained during the public consultation period will therefore be important in testing the assumptions and judgements in the RIS, and in deciding what the Government's final approach should be.

Further stakeholder engagement is particularly important given the lack of available data regarding the administration of, and fees raised by, the CFA over the past 11 years, such as:

- the absence of disaggregated fee revenue, or an explanation of the factors driving changes in this revenue over time
- the unavailability of data regarding the number of different types of fees charged for emergency attendances
- not being able to report revenue earned in the provision of property protection or loss mitigation services.

Given the magnitude of the impact of these regulations, it is appropriate for more thorough and specific data to be obtained for future evaluation and assessment.

VCEC also notes that the boundary between areas in which CFA operates as a service provider of last resort and those in which they operate in a competitive market is ambiguous. Without a clearer distinction between the two it is difficult to determine the nature of the likely competition effects of the CFA providing these services in both areas.

The RIS is clear that fees have been set in most cases to prioritise full cost recovery and address problems of cross-subsidisation. Exceptions include:

- charges for emergency attendances, which prioritise the objective of ensuring that charges reflect the total cost of false alarm call-outs to society (rather than the direct costs to the CFA)
- charges for fire protection services in remote areas based on consultation to set a price that reflects the value of the service in a competitive market.

In the interests of transparency, it is government policy VCEC's advice be published with the RIS when it is released for consultation.

If you have any questions, please contact RegulationReview@vcec.vic.gov.au.

Yours sincerely



Andrew Walker

Assistant Director

Victorian Competition and Efficiency Commission