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* Title:	Mr
* First name:	Malcolm
* Surname:	Tonkin
Organisation represented by your submission ( <i>if applicable</i> ):	Hancock Victorian Plantations Pty Limited
* Email address:	[REDACTED]
* Postal address:	[REDACTED]
* Suburb:	WENDOUREE
* Postcode:	3355
* State:	VIC
* Telephone:	03 [REDACTED]
* Main topics addressed by your submission(s):	
Causes and circumstances of the bushfires	False
Policy, preparation and planning of governments, emergency services	False
Preparation and planning by communities and households	False
Response to the bushfires	False
Essential services, including water and power	False
Building	False
Insurance	True
Other ( <i>if applicable</i> ):	
Please list any towns or communities that are discussed in detail in your submission	
<p>Confidentiality Please select one of the following</p> <p>I acknowledge that my submission will be treated as a public document and may be published, quoted or summarised by the Commission.</p>	

#### Acknowledgements

\* I understand that by lodging this submission:

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## **2009 Victorian Bushfires Royal Commission**

### **Fire Services Levy and Insurance Discussion paper**

#### **INSURANCE FOR RURAL CROPS**

1. In examining the consideration of fire insurance and the application of the fire services levy, special and separate consideration should be given to rural properties where the major asset value is not the building or even the land value, but is the crop grown on the land, which provides the greatest potential loss or damage to the owner in the event of a fire. This represents a different risk and value issue than that of buildings or dwellings. For example, on the majority of HVP Plantations' various properties, there is no building, but there is a substantial asset value in the plantation tree crop.
2. Some forms of agriculture result in situations where suitable fire crop insurance is not available, is financially unviable, or where the agricultural asset represents an uninsurable risk. Thus in certain circumstances, whether or not an organisation is insured may not be a conscious decision on the part of the asset owner.
3. Further, some forms of plantation crop protection insurance, which guard against fire, hail, wind and malicious events, do not contribute to the Fire Services Levy. Hence whilst the asset may be insured, in the absence of a contribution to the levy it may be considered 'uninsured' pursuant to the Country Fire Authority Act (sect 87(10)), and therefore liable to be charged for CFA services pursuant to sect 87 of the Act. This situation arises notwithstanding that a business has in place an appropriate and satisfactory level of insurance cover taking into account their assessment of risk and cost.

#### **INVESTMENT IN FIRE PROTECTION AND SUPPRESSION FOR PUBLIC AND PRIVATE GOOD**

4. Section 23AA of the Country Fire Authority Act requires forest growers of a certain size to maintain a Forest Industry Brigade (FIB). FIBs are operated at the sole cost of the forest grower and there are statutory requirements for the minimum level of resources (both people and capital) to be in place.
5. Typically a forest grower will make their own assessment as to the level of resources required to protect the plantation asset and this often exceeds the statutory minimum. In the case of HVP Plantations, 7 FIBs are equipped, manned and maintained across Victoria. HVP Plantations maintains and utilises fire suppression and detection equipment with a value of over \$10 million, and spends in the order of \$3 to 4 million each year in fire prevention and suppression activities. This investment is well in excess of that required by law. Details on HVP Plantations; Forest Industry Brigades have previously been provided to the Royal Commission.
6. FIBs typically act to protect community property not just the protection of their own forest plantations. A sensible and necessary approach to fire suppression is to act to suppress the fire on adjoining State or private properties before a fire

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reaches the plantation property. Approximately 50% of the fires attended to by the HVP Plantations' FIBs are on not on company owned property. HVP Plantations has a long history of providing fire suppression support in the local communities in which its plantations are located. FIBs also attend fires in other locations across Victoria and interstate in support of fire suppression operations that require assistance. All of this fire suppression activity is provided at HVP Plantations' cost, much of which provides a complementary broader public benefit. The CFA website lauds the value and specific expertise of Forest Industry Brigades in support of the regular CFA brigades.

7. An exemption to the payment of a fire services levy, fire insurance or other levy or tax or charge for fire services should be available to Forest Growers who maintain a Forest Industry Brigade of the Country Fire Authority, as per sect 23AA of the Country Fire Authority Act. The purpose of a fire service levy (whether or not collected via insurance premiums) is to ensure asset owners contribute to the cost of protection of their asset from fire. In the case of forest growers, the establishment and maintenance of an FIB is a statutory requirement and hence their contribution is already mandated through separate legislation.
8. Inequity exists in the current system whereby forest growers are, in effect, required to contribute to the operating costs of the CFA to a much greater extent than other asset owners. Where there is insurance in place, the forest grower essentially pays the fire service levy as well as the significant investment required in maintaining one or more FIBs. Where there is not insurance in place, the forest grower is exposed to being liable to be charged for CFA services pursuant to sect 87 of the Act.

## SUMMARY

9. We believe that any consideration of fire insurance and fire services levies should take into account the issues raised in this submission, and that specifically:
  - Separate arrangements need to be made for agricultural businesses in assessing insurances and fire services levies;
  - Exemptions to the CFA Act need to be made for those rural businesses that have other insurance arrangements in place that may not meet the requirements of the CFA Act, or where viable insurance arrangements are not available;
  - Exemptions to any fire services levy or recharge of fire services should be provided to Forest Growers who maintain a Forest Industry Brigade under the CFA Act, to provide a more equitable contribution base with other asset owners.