

MEDIA RELEASE

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CONSUMER GROUPS SAY NEW TAX TO REPLACE FIRE SERVICES LEVY IS A BAD IDEA

Consumer advocates are disappointed with the Bushfire Royal Commission's recommendation to scrap the fire services levy in favour of a property based levy saying it will be bad for local councils and won't give consumers any real benefits if it's introduced.

Spokesperson Denis Nelthorpe, from the West Heidelberg Community Legal Service, said that replacing the fire services levy in this way will put a great deal of additional pressure on local councils.

"A property based levy is essentially a new tax that poorly resourced local governments will be left to enforce," Mr Nelthorpe said. "If it's introduced, we're certain this new levy will lead to an increase in the number of consumers defaulting on their rates because they simply won't have the money to the pay for it."

"The Insurance Council has repeatedly called for its removal on the grounds more people would take up insurance in those areas if the policies were cheaper. However, the Insurance Council's own research shows that when Western Australia removed the levy, the increase in take up of insurance was minimal – around 1%," he said. "In fact, experience from the Black Saturday bushfire showed that the majority of people who owned their homes were actually insured."

"In many cases, people who had no insurance cover were tenants, asset-rich income-poor retirees and lower income households. The best way to tackle under-insurance amongst these groups is for insurers to offer different products and more flexible payment options – not merely to remove the fire services levy."

Mr Nelthorpe said that if the government adopted the new property-based levy it would be opening up a whole raft of new problems it might not have anticipated.

"Leaving councils to administer this new tax could mean we could see a decline in services in those bushfire prone areas because council resources would be redirected to administer the new property based levy. We would almost certainly see more low income people, like pensioners, defaulting on their rates," Mr Nelthorpe said.

"Local councils pursuing rates payments are already the most frequent users of the Magistrate's Court debt jurisdiction* and the imposition of a property based tax will only make this worse."

Mr Nelthorpe said he believed the debate surrounding the fire services levy was a distraction from the real insurance issue affecting those left devastated by the Black Saturday disaster.

"What we saw coming out of Black Saturday was that there is a chronic problem with underinsurance. The best way to stop this is for insurers to phase out 'sum insured' policies altogether and only offer 'replacement value' policies."

"The issue of under-insurance isn't only a problem for people affected by bushfires and floods. It's a widespread problem for consumers across Australia but most won't realise until it's too late and they are offered an insurance payout that doesn't come close to covering the costs of replacing their home."

**"Drowning in debt: the experiences of people who seek assistance" a report by the Department of Justice*

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