

**STANDING COMMITTEE ON ESTIMATES AND  
FINANCIAL OPERATIONS**

**2013–14 AGENCY ANNUAL REPORT HEARINGS**

**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
FRIDAY, 7 NOVEMBER 2014**

**SESSION TWO  
DEPARTMENT OF FIRE AND EMERGENCY SERVICES**

**Members**

**Hon Ken Travers (Chair)  
Hon Peter Katsambanis (Deputy Chair)  
Hon Martin Aldridge  
Hon Alanna Clohesy  
Hon Rick Mazza**

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**Hearing commenced at 11.20 am**

**Mr WAYNE GREGSON**

**Commissioner, examined:**

**Mr STEPHEN FEWSTER**

**Deputy Commissioner, Capability, examined:**

**Mr LLOYD BAILEY**

**Deputy Commissioner, Operations, examined:**

**Ms GEORGINA CAMARDA**

**Chief Financial Officer, examined:**

**Mr FRANK PASQUALE**

**Executive Director, Corporate Services, examined:**

**Mr DAVID CAPORN**

**Executive Director, Governance and Strategy, examined:**

**Ms CAROLE DOWD**

**Director, Risk Planning and Reporting, examined:**

**The CHAIR:** On behalf of the Legislative Council Standing Committee on Estimates and Financial Operations, I would like to welcome you to today's hearing. Can all of the witnesses confirm that you have read, understood and signed a document headed "Information for Witnesses"?

**The Witnesses:** Yes.

**The CHAIR:** Witnesses need to be aware of the severe penalties that apply to persons providing false or misleading testimony to a parliamentary committee. It is essential that all your testimony before the committee is complete and truthful to the best of your knowledge. This hearing is being recording by Hansard and a transcript of your evidence will be provided to you. The hearing is being held in public, although there is discretion available to the committee to hear evidence in private, either of its own motion or at the witnesses' request. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session before answering the question. Government agencies and departments have an important role and duty in assisting Parliament to review agency outcomes on behalf of the people of Western Australia. The committee values your assistance with this. Does anyone wish to make an opening statement or shall we go straight to questions?

**Hon ALANNA CLOHESY:** FESA House: has that been sold?

**Mr Pasquale:** Yes, it is part of a contract where it has been sold under the government's hotel development scheme and is currently under development at this stage.

**Hon ALANNA CLOHESY:** How much did FESA get from that sale?

**Mr Pasquale:** The contract was signed earlier this year, if I recall correctly. The sale was based on the value of the property being developed as a hotel, so in the financial statements you would notice that there have been some write-downs of the value to represent the contract value. The contract was signed for, if I recall correctly, around \$8 million. That sum is to be paid at the time the hotel

development component of the contract is completed, and that is when ownership—or title—will pass; so title is linked to the completion of the hotel.

**Hon ALANNA CLOHESY:** Whose decision was it to downwardly revise the valuation of FESA House?

**Mr Pasquale:** It is part of the normal accounting standards, so we are obligated to follow the accounting standards. The accounting standards dictate what we are obligated to do and report. As I said, given that the property was sold on the basis that it had to be developed to provide a hotel, the valuation had to take that into account, and the contract obviously takes that into account. So we are obligated under the accounting standards.

**Hon ALANNA CLOHESY:** But whose decision was it to meet those obligations?

**Mr Pasquale:** Ultimately, the CFO is obligated to ensure that statements represent a true and fair view, and it is obviously policy that we are obligated to follow.

**Hon ALANNA CLOHESY:** So, it will be sold for \$8 million, or the contract will be met for \$8 million. What is the actual valuation of the building?

**Mr Pasquale:** The actual valuation of the building, from memory, was in the order of \$17 million, hence the write-down in the books of in the order of just under \$12 million. The sum identified in the books in terms of the current value of the \$8 million had to be discounted in today's terms, so I think the books identify in the order of about \$5 million or just over \$5 million, but obviously when the transaction transpires when the hotel is completed, that \$5 million gets valued at \$8 million in the future.

**Hon ALANNA CLOHESY:** Why?

**Mr Pasquale:** In terms of accounting standards, you are obligated to express the value of the contract in today's terms, but because it is a contract that does not actually expire, I guess, until the hotel is complete, the contract is being expressed in the value in three years' time—2017–18. So, even though cash will be handed over in 2017–18, we have to recognise in accordance with the standards what that cash is worth today.

**Hon ALANNA CLOHESY:** So, for a building that is worth \$17 million, FESA will eventually see \$5 million of that in 2017–18?

**Mr Pasquale:** Correct, but there is another component to the transaction.

**The CHAIR:** Will you see \$5 million or \$8 million in 2017–18?

**Mr Pasquale:** We will see \$8 million, so the contract will execute for \$8 million, but the books have to show that 8 million in today's terms. There is another side to the transaction, which is when FESA was asked to consider being part of the hotel incentive scheme arrangement for this development, we made it very clear as part of the cabinet submission that we owned the property, and therefore we had it identified to be disposed of as a mechanism to reduce debt as part of the development of the Cockburn project from many years ago, and therefore if we were going to enter into this contract, we would be disadvantaged, because the contract stipulated that it needed to be developed as a hotel. For any development of a hotel, the rate of return for the developer is a much lower proposition than if it was developed as a commercial premises. As part of that approval, DFES was approved to receive, basically, the difference of its original disposal value, and we received an equity injection from the state as part of the hotel development scheme so that DFES was not out of pocket, and that is also represented in the books.

**Hon ALANNA CLOHESY:** What is the value of that equity injection?

**Mr Pasquale:** It is \$24.1 million or thereabouts. That is fundamentally the difference of what the original value of the property was without any encumbrances of it being a hotel—so, being sold in the market for its best potential use. Again, as part of the cabinet submission, when we decided to

be part of the process or to support it, we did so on the proviso that the agency was not disadvantaged, and we have not been. Those funds have been used to reduce debt, so the original intention has been met.

**Hon ALANNA CLOHESY:** Over what period of time? Is it still available to reduce debt over the forward estimates?

**Mr Pasquale:** No, we have already applied that money to reduce debt in 2013–14.

**The CHAIR:** That equity, is that coming out of the consolidated account?

**Mr Pasquale:** Yes, out of the consolidated account.

**Mr Gregson:** Sorry, just for clarity, Mr Chair, are you referring to the equity injection coming out of it?

**The CHAIR:** Yes, so it is not coming out of the fire and emergency services levy as a rebadge back as you retained earnings as an equity injection?

**Mr Pasquale:** No. I am not sure if you have actually got it separated, with the note, but note 35 on page 95 of the annual report identifies \$24.98 million as capital appropriation by contribution by owners, which is the state. But, of that \$24.9 million, the component for FESA House was \$24.1 million, if I remember correctly. That may be broken down somewhere else in the report, but I am not sure about that.

**The CHAIR:** That is the thing, because the capital appropriation could be coming out of your fire and emergency services levy, but this is actually coming out of the consolidated account?

**Mr Pasquale:** Absolutely, yes.

**Hon RICK MAZZA:** I refer to page 108, “Notes to the Financial Statements”. There has been quite a jump in salaries for the senior officers from \$2.5 million dollars up to just over \$4 million a year. I also note in the 2014 column that there are 11 officers who are paid over \$200 000 a year compared to only one in the 2013 year. Can you explain to me how that change has come about?

**Mr Pasquale:** A couple of things to point out. Firstly, this is the first annual report of the Department of Fire and Emergency Services, which was established as a department on 1 November 2013. So, when you are comparing figures from 2013 to 2014, you are comparing eight months with 12 months against 2014—so just understand that anomaly. The other thing to be cognisant of in relation to this particular issue, whilst I do not have the specific details with me, is that there was recently a government severance scheme, and I am advised these figures incorporate the cost of the severance component, so they are not purely base salary; and therefore why some of the salaries are appearing as being very high is because there is the actual severance payment component incorporated.

**Hon RICK MAZZA:** So the redundancy payment has been put on top of their base salary?

**Mr Pasquale:** Correct.

[11.30 am]

**Hon PETER KATSAMBANIS:** Could we have the distinction between the two sets of figures, on notice?

**Mr Pasquale:** Sure. We can provide that.

**Hon RICK MAZZA:** Thank you.

[*Supplementary Information No B1.*]

**Hon RICK MAZZA:** Just to move off that, how much money has DFES agreed to provide each volunteer association this year?

**Mr Gregson:** In what sense?

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**Hon RICK MAZZA:** The volunteer brigades. Does DFES provide them with any funding?

**Mr Gregson:** Yes, we do. We provide a range of funding to various volunteer organisations, right through from surf lifesaving as a pass-through cost from the state government, through to volunteer marine and rescue. So, I am not sure. Are you talking cash, and what types of volunteers, or —

**Hon RICK MAZZA:** Yes.

**Mr Gregson:** We pay for training, PPE. We provide money under the grants scheme, so we would appreciate some specificity in terms of what grant money you are talking about.

**Hon RICK MAZZA:** I am only talking about the volunteer firefighting associations.

**Mr Gregson:** The associations?

**Hon RICK MAZZA:** The brigades, if you like. Of the volunteer brigades that you have, how much do you fund them?

**Mr Gregson:** Are we talking volunteer fire and rescue brigades or volunteer fire service or volunteer emergency service? I mean, it makes a difference, because some are local government and some are with us; or are you just talking about the volunteer associations?

**Hon RICK MAZZA:** What I am talking about is the volunteer firefighting brigades, so let us say the volunteer fire and emergency brigades.

**Mr Pasquale:** That is not a simple question, from the point of view that we have a number of different volunteer emergency services which belong to different, I guess, organisations in terms of accountability. So the volunteer bush fire brigades, which belong to the local governments, and the State Emergency Service units, we have a local government grants scheme which provides in the order of around \$30 million per annum. The other volunteer services which fall under the direct responsibility of DFES are part of our normal operational costs, and, off the top of my head, I do not have that component, but they are funded from within DFES's —

**Hon RICK MAZZA:** Can you take that on notice and can we have a breakdown of what is applied to the bush fire brigade volunteers, and other associations, so if you could give us a list of the different associations that you grant money to?

**Mr Pasquale:** If I may, on page 109, there is, under note 45, affiliated bodies, which incorporates what we spent in 2013–14 for the respective associations. But in relation to the emergency services brigades, groups and units themselves, that is the grant scheme and the other components, yes.

*[Supplementary Information No B2.]*

**Mr Gregson:** Sorry, but can I just get some absolute clarity of what is being sought here, either in the request or at this point in time? Are you seeking to have a cash amount, or an amount of expenditure on units, groups and brigades by core service, and is that at the unit level or at the functional level? What is it specifically that you are asking for a breakdown of?

**Hon RICK MAZZA:** On the cash amount.

**Mr Gregson:** Cash to the various volunteer units, at the unit level, or do you want it by core—in other words, the total amount given to bush fire brigades, volunteer emergency services and volunteer fire services?

**Hon RICK MAZZA:** That is what I am after—the total amount.

**Hon ALANNA CLOHESY:** Both.

**Mr Pasquale:** We may not be able to give the local government component broken down, because it is provided to the local government for all their brigades.

**Hon ALANNA CLOHESY:** On that local government brigade funding, do you provide a block grant to local governments for funding their various brigades?

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**Mr Pasquale:** Yes.

**Hon ALANNA CLOHESY:** Is there any accountability back as to how that was allocated across a local government area?

**Mr Pasquale:** Certainly. There is a manual that defines, I guess, the process, which is not only what local governments have to follow in terms of participation, but also the governance around the funds that are published in the *Budget Statements* every year, and how the assessment process works and what is considered eligible funding and what is not considered eligible funding. Then after that application process and assessment, there is a committee which involves local government representation and association representation to go through a prioritisation exercise and assessment exercise. Once those determinations are made, the offers go out, and then there is a two-step appeals process depending on whether it is an operating grant or a capital grant. The funds that are available provide for both those sources, so the day-to-day operating cost of maintaining and being ready to have a brigade or a unit capability, and also the capital cost in terms of providing for the major equipment—vehicles et cetera.

**Hon ALANNA CLOHESY:** So why would you not be able to provide the data in terms of how it was allocated within the local government area?

**Mr Pasquale:** We can provide—I am not sure whether we might bundle that up based on the applications by the individual brigades based on what they have spent. How the actual local government then deals with that is they are required to do an acquittal. But they acquit for the total grant that the local government receive. They do not acquit at individual brigade level. So, we are trying to make it administratively as simple as possible. The accountability is for the total sum that has been granted to the local government, and the acquittal process seeks that accountability against that bottom line, not broken up.

**Hon ALANNA CLOHESY:** That seems very unusual as an acquittal process.

**Mr Pasquale:** The acquittal process has line items in terms of the nature of the expense. I think there are nine all up. But, again, it is not line item 1 by fire brigades and line item 2 by fire brigades. It is line item 1 for all fire brigades and line item 2 by all fire brigades, if they have fire brigades, which then adds up to a bottom line.

**Hon ALANNA CLOHESY:** I would be interested to have a look at the information when it comes back to the committee.

Last year, there was correspondence between FESA and local government authorities about whether they would consider handing back control of bush fire brigades to DFES. How many local government authorities responded, and what was the general response to that?

**Mr Gregson:** There was a reasonably good response. That was part of the preliminary data gathering for the then concept paper that went out for public comment. It was about a third split, so a third were feverishly in favour of it, a third were feverishly against it and a third stated they would require further information.

**Hon ALANNA CLOHESY:** How many responses did you receive in total?

**Mr Gregson:** I am not sure. Dave?

**Mr Caporn:** I would have to take that on notice to be specific about it.

**Hon ALANNA CLOHESY:** Thank you; and also which authorities responded.

[*Supplementary Information No B3.*]

**Hon ALANNA CLOHESY:** So where are we at now in terms of that process?

**Mr Gregson:** The concept paper was formulated and went out for public comment. We are now gathering options to present to the minister for his deliberations as to the way forward.

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**Hon ALANNA CLOHESY:** When are we anticipating that will be?

**Mr Gregson:** The final concept paper will go off to the regulatory gatekeeping unit—Treasury—probably by the end of this year.

**Mr Caporn:** Yes. That is the decision paper.

**Hon ALANNA CLOHESY:** Would there be any feedback to local government authorities prior to that about how they responded and what they responded about?

**Mr Gregson:** I think that was captured in the concept paper, but if I can defer to Mr Caporn.

**Mr Caporn:** I think for clarity the important thing was, in following up that consultation process, that the question was merely to gauge what level so we could put some costs around it. The high-level intent that was preferred in the concept paper—in the original regulatory impact statement that went out—made it quite clear that this was just enabling legislation. It was not that a local government could opt out of their bush fire brigade and hand it over to DFES, because obviously we would have to replace the management structure that local government had in place et cetera, so the preferred option was merely to create enabling legislation. It was not to be a fait accompli, and this was made quite clear not only through correspondence but through the contact that we had with local governments and the Local Government Association. It was made quite clear that it was not a fait accompli. It was just enabling legislation. We have a current situation, for example in the Kimberley, where DFES have supported through a memorandum of understanding bush fire brigades in that area, but they are not enabled by legislation. It is all done on an MOU and a handshake. So we just wanted to put in there enabling legislation that would enable us to do this under law. It certainly is not the intention for DFES to immediately use that enabling legislation to take over local government bush fire brigades.

**Hon ALANNA CLOHESY:** That is a statement from you. I am sure some of the local bush fire brigades would also like a bit more clarity on the policy decision around that as well.

**Mr Gregson:** That is a matter of public policy, and that is a matter for the minister.

**Hon ALANNA CLOHESY:** Okay.

**The CHAIR:** I want to go back to the issue around the equity injection. Can you take us to your statement of cash flows and your statement of financial position and show us where that equity appears? I am trying to reconcile, too, that back to the budget paper, which in terms of your asset investment program showed a total amount of \$34 million in the 2013–14 financial year, funded by borrowings and internal funds and balances; and, interestingly, no drawdown from the emergency services levy in 2013–14. This is your budget paper for asset investments.

**Mr Pasquale:** Sorry, just to clarify, are we talking about the 2013–14 budget paper or the 2014–15 budget paper?

**The CHAIR:** Your 2013–14. That is where you got your money for FESA House, is it not?

**Mr Pasquale:** I am just confirming that we are looking at the same documents.

**The CHAIR:** In the 2014–15 budget, where it shows what your estimated expenditure in the 2013–14 financial year was —

**Mr Pasquale:** In the capital works program?

**The CHAIR:** Yes. That does not at that point show that money coming into the system at all, does it?

**Mr Pasquale:** I am not sure. Are we talking asset investment? Do you mind if we have a page number?

**The CHAIR:** Sure. It is page 736 of budget paper No 2, under the asset investment program.

**Mr Pasquale:** So you are talking about —

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**The CHAIR:** The money you received as a capital appropriation in 2013–14 as payment for the money that you did not get from selling your building—your former Perth fire station.

**Mr Pasquale:** And you are referring to the “funded by” section in that asset investment plan?

**The CHAIR:** Yes.

**Mr Pasquale:** So what you are saying is you cannot see the capital appropriation coming in?

**The CHAIR:** From the government.

**Mr Pasquale:** Okay.

**The CHAIR:** And I want to then, working from there, go across to your financial statements in your annual report and try and track through where this money is appearing in your financial statements.

**Mr Pasquale:** Sure. I might hand over to the CFO.

[11.45 am]

**Ms Camarda:** This might help you. In the 2014-15 *Budget Statements*, if you look at the “Statement of Cashflows”, you can see the cash flow in 2013–14 for capital appropriation of \$24.9 million, coming in in 2013–14, and then you can see the respective column in 2014–15 for that capital appropriation, cash flow from the government, of nil—that is the budget. Then if we go down to the section “Cashflows from Financing Activities”, you can see “Repayment of borrowings” in 2013–14, a total of \$30 million, which is a lot more than what we normally do. That accounts for the \$24.1 million equity injection coming off the borrowings.

**Mr Pasquale:** If I may, the reason why it is not in the capital table in the “funded by” is because it was not funded by that. We had the gross costs funded, on the understanding that when we received both the equity injection and the proceeds in the longer term, that the equity injection be used to reduce debt, hence why it is not in the asset investment program “source of funding” table, because it was not funded through that source. That source was used to reduce the gross investment to start off with.

**Hon PETER KATSAMBANIS:** There are a couple of issues I wanted to raise. First of all, the Emergency Services Act review. Where is that at? It is listed as a significant issue on page 17.

**Mr Caporn:** The regulatory impact statement, which we call a concept paper, was released on 16 April and closed on 31 July for comments and submissions. We received over 5 000 comments and submissions altogether. We are feverishly analysing all of those and we have been since the COAG concept paper period closed, and we have also been doing some further consulting in relation to that. We are working through all of the different options that we have going forward. We expect that by Christmas time—by the end of the year—we will have something to the regulatory gatekeeping unit for them to consider. After that, depending on how they feel about the paper, if they require us to do any more work, it will be determined as to when it will make its way to government.

**Hon PETER KATSAMBANIS:** Will there be anything that fundamentally changes the operations of the services or is it simply a matter of consolidating existing legislation into one piece of legislation?

**Mr Gregson:** Ultimately, there will be deliberations for the minister—what ultimately eventuates from the options presented to him. It will depend on whether it is agreed at cabinet or whether the minister supports what is in the concept paper.

**Hon PETER KATSAMBANIS:** In relation to the public feedback, what were the general issues or themes? Was there anything specific or a series of specific issues?

**Mr Gregson:** There were nine themes.

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**Mr Caporn:** Risk mitigation was probably the largest feedback that we had in relation to it, but that was also the largest chapter in the concept paper. The comments were very widespread amongst the paper. Obviously, there are polarised views in the community about all of these things, through the Farmers' Federation, through local government, through state agencies et cetera. So, very, very broad comments, and very, very happy about the response, but very broad response across all of the issues.

**Hon PETER KATSAMBANIS:** Moving on from that, an issue that is of particular concern to me is the State Emergency Service's position to deal with the significant growth in the northern corridor of Perth. At the moment, as you would be aware, there is a joint unit for the Cities of Joondalup and Wanneroo, which for historical reasons is one unit that was never split when the two councils were split into two. It is located in Joondalup. The population continues to grow. It services a massive area anyway when it comes to considering the metropolitan area, but in the next few years it will be servicing a population of up to half a million people. Has any work been done around creating a second unit, potentially based in the City of Wanneroo?

**Mr Gregson:** There have been some preliminary discussions. That unit is a particularly vibrant unit. It has quite a large waiting list of members and there have been some preliminary discussions as to whether or not we could branch off and have another unit to service that area. We constantly run a risk-to-resources analysis over particularly the metropolitan area in terms of what is required and when. Perhaps I could defer to the deputy commissioner for capability, who might be able to add some more light on where we are at with that particular consideration.

**Mr Fewster:** In terms of the service delivery model deliberations, there is a process that we need to follow which is underway at the moment and will shortly go to the volunteer advisory committee for the State Emergency Service. That is about first of all establishing the equipment requirements for rollout in the local area. From that, we will agree on what each of our units in the metropolitan area is required to do and the equipment that they need to do that work, and that will allow us then to do an analysis of where the individual units are best placed in terms of geographic location, and then we can have deliberations with those units and local government about the facilities for those. There are a number of SES units in the metro area that require better facilities, and we have a number of SES units where we are not getting the support from all the stakeholders that we would like to position them in the correct space, but we are working through those issues.

**Hon PETER KATSAMBANIS:** Specifically on Joondalup and Wanneroo, have there been any discussions with the City of Wanneroo as to potential sites where a potential new unit could be located?

**Mr Fewster:** I understand that there were discussions some time ago with the City of Wanneroo as to the new locations, but before we get to that point, we really need to establish, from a risk resource model, what we want them doing and whether or not there is indeed a shortfall of other facilities. On the basis of number of people, it looks like there might be, but we really need to determine what the role is and what the equipment requirements are.

**Hon PETER KATSAMBANIS:** Sure. Obviously there is no lack of desire from the volunteer perspective, as you rightly pointed out. There is a strong waiting list of very well-qualified candidates to join the unit. There is a desire from the city, from my discussions, to join the —

**Mr Gregson:** It just depends whether there is a need.

**Hon PETER KATSAMBANIS:** Sure. I understand you have your planning processes. But those of us who live and work in those areas will tell you that there is a need, and anecdotally there is an indication that response times in critical emergencies have simply blown out.

**Mr Gregson:** The State Emergency Service is generally a unit that responds in the recovery phase. They do not actually, certainly in the metropolitan area, attend during the response phase as much. So there is a need to really look closely as to whether or not having a large, well-equipped, vibrant

unit such as we have got there is a better model for service delivery, even over a broader geographical area, than to split and have two units, perhaps one further north. It is a good point, but we do really take a lot of analysis and risk to resources before we embark on establishing a new emergency service unit, whether it be SES or anything else, as to the need.

**Hon PETER KATSAMBANIS:** When do you think this analysis will be completed in relation to the metropolitan area?

**Mr Fewster:** The equipment schedule, that is, if you like, the initial stage of the deliberations, is being prepared at the moment. We have had a number of conversations, and my understanding is it is going to the VAC at its next meeting, but I would like to take that on notice to see if it is on the agenda.

*[Supplementary Information No B4.]*

**Hon PETER KATSAMBANIS:** I would appreciate that.

**Mr Fewster:** Can I just be clear. Is the question: when is the next VAC meeting for the State Emergency Service, or is it something different?

**Hon PETER KATSAMBANIS:** When is this risk analysis going to be completed? That is the question.

**Hon RICK MAZZA:** I just refer to page 18 and your safety risk management. The second dot point refers to continued implementation of the crew protection program for bushfires. I wondered where that program is up to and how many more vehicles need to be fitted out.

**Mr Fewster:** There are a number of components to the crew protection program. We have completed the rollout of the turnover blankets for crew members. It is in the order of 1 200 or so vehicles. An additional number of vehicles are being fitted out with their radiant heat shields at the moment. That is not as simple as it might appear. We need to get templates. At the moment, we have in the order of 90 vehicles that have been complete. There are another 16 or so pilot vehicles, because of the range in vehicles that need to be fitted with the radiant heat shields. We have ongoing work to include the turnover protection in the existing fleet as it gets rolled out—the new vehicles. There are about 90 of those. But we have a long time to go in that project. The initial project does not conclude until the end of 2015, and then it gets rolled out into the rest of the fleet as we go forward. That work I might add is being done by contractors, so to give you a specific, we would need to go back to the contractors on a day-by-day basis to see exactly where they are.

**Mr Gregson:** Perhaps to assist, I could refer the member to page 131 of the report, which does give a little bit more detail on the future fleet project, which is designed to consider issues of crew protection as part of the roll-out of our future fleet.

**Hon RICK MAZZA:** Whereabouts is that on the page?

**Mr Gregson:** It is downwards from the second paragraph, in the second column.

**Mr Pasquale:** The future fleet component will embed the crew protection capability. That is being developed now. In terms of the retrofit, on page 31 there is a specific commentary about the different components of crew protection, which deputy commissioner Fewster was referring to in relation to turnover blankets and radiant shields, and then other components like deluge systems, automatic vehicle location components, lagging panels et cetera. It is a four-year program when it was initially started and we are in year two at the moment.

**Hon RICK MAZZA:** So it is on track?

**Mr Pasquale:** To be honest, we would like it to be a bit quicker, but it has been a lot more complex, as was mentioned, than was initially understood, given the design of vehicles, bracketry and design. It is not just a matter of designing one thing and applying it across a number of vehicles. There are

a number of different types of vehicles. There are safety issues about the way blankets are stored, for example. It is not just simply a matter of chucking a blanket in the back seat; they have to be stored. Similarly, with radiant heat shields, they are not just stuck on; they have to be designed to fit the different models and makes of vehicles. So when you are retrofitting vehicles that span across a 10-year time span, for example, it is very complex. I guess we are travelling as quickly as we can be and we are trying to make up as much as we can.

**Hon RICK MAZZA:** Just on another matter, on page 109, I am a little curious. You have “write-offs” down the bottom—\$41 800—as bad debts. What do those bad debts relate to?

**Mr Pasquale:** First, to answer your question, I do not know specifically what they would be, but obviously every year in terms of the accounting standards, if the agency is of the opinion that there are debts that are defined as “bad” in accordance with accounting standards, then obviously we go through a process to write those off. So that is the accounting treatment. In terms of the specific nature of this \$41 000, we would obviously have to provide that information if you require it.

**Hon RICK MAZZA:** You can take that on notice if you can—the nature of the debt.

*[Supplementary Information No B5.]*

**Hon ALANNA CLOHESY:** The state emergency management committee report into the Stoneville, Parkerville and Mt Helena fires recommended that DFES recruit more senior executives into their ranks that had on-the-ground bushfire experience. How is that going?

**Mr Gregson:** We do have a rather good blend of officers from the various core emergency service units and we do recruit based on fit-for-purposeness. We basically look at hazards under three headings—bushfire, or rural, urban and natural hazards. We are recruiting to get the balance absolutely right across bushfire, predominantly from local government backgrounds, and natural hazards predominantly from State Emergency Service backgrounds.

[12 noon]

But certainly we have a very good spread in our command team. There is some work to be done in some of the middle layers, but it is certainly becoming much more balanced across the more broader hazards.

**Hon ALANNA CLOHESY:** From January this year compared to now, there are more senior managers in DFES that have operational experience, shall we say?

**Mr Gregson:** I like to think all senior managers in DFES have operational experience, but they are increasingly coming from a more diverse background in terms of the particular hazard competencies that they have got. Of course, it has been somewhat problematic to recruit because we have had various quarantining on recruiting and we have also lost a number of people through voluntary severances; plus we do not get a lot of vacancies. It is a fantastic place to work, so until people retire we do not generally get to fill them. We look at the suite of competencies that are required at the time of recruitment to strive to get a greater balance.

**Hon ALANNA CLOHESY:** As we enter the next bushfire season, are there more senior executives on the ground, who have had on-the-ground bushfire experience, compared to last year?

**Mr Gregson:** Yes, I would say there would be, compared to last year.

**Hon ALANNA CLOHESY:** How many?

**Mr Gregson:** I would have to examine it and tell you. I can certainly think of one particular superintendent recruit we have brought in specifically with a bushfire background from Queensland. We do try to get the balance right. Having said that, our incident commanders are all from bushfire backgrounds. We do not have incident commanders running a job when they do not come from the appropriate hazard.

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**Hon ALANNA CLOHESY:** I think the recommendation was “senior management personnel”, though, was it not?

**Mr Gregson:** Yes.

*[Supplementary Information No B6.]*

**Hon ALANNA CLOHESY:** The Office of Bushfire Risk Management was undertaking mapping of bushfire-prone areas. Has that been completed?

**Mr Fewster:** The Office of Bushfire Risk Management established a standard. The standard has been issued for the production of bushfire-prone area mapping. My understanding is 1 May 2015 is when the first of those maps will be published for the purposes of performing planning.

**Hon ALANNA CLOHESY:** Did you say 1 May 2015?

**Mr Fewster:** Yes.

**Hon ALANNA CLOHESY:** There is no new mapping of bushfire-prone areas ready now, as we go into the bushfire season?

**Mr Fewster:** There is a range of ways of describing “bushfire prone”. The OBRM-developed standards for the production of maps deemed to show bushfire proneness needed to be supported by changes to planning. Those changes are underway at the moment. Not until next year will it be part of the planning process for us to produce a map that is titled “areas that are bushfire prone” in Western Australia. We are able to do that today, if that was of value to people. We are able to do it in a number of different ways, if it is of value to people. The one that is referred to with reference to OBRM is a map that has a particular purpose in planning.

**Hon ALANNA CLOHESY:** Has that mapping been done by air? Is that the only way it is being done?

**Mr Fewster:** No, it is not the only way it is being done; it is being done through the state’s GIS holdings. The standards are based on fuel type and terrain, and then a 100-metre buffer that goes around that.

**Hon ALANNA CLOHESY:** In terms of on-the-ground readiness, what new equipment is being introduced into particularly Mundaring, Parkerville, Stoneville and Mt Helena since the bushfires this year?

**Mr Gregson:** Did you say what new equipment?

**Hon ALANNA CLOHESY:** New fire-fighting equipment. What funding has been introduced and what new equipment has been introduced since the fires?

**Mr Gregson:** I do not think we have introduced any new equipment. We have certainly looked at the way in which we resource how we deploy an extra fleet, for example, and how we pre-deploy on station during times of readiness and those types of preparatory activities. I do not think we have introduced any new types of equipment. Our aerial fleet is the same as it was last year, which was most effective. We have sufficient appliances. It has been about utilising current levels of resources. I do not think there is a need for new equipment; either a new type or new equipment in that area.

**Hon ALANNA CLOHESY:** You do not think there is any need for new types of equipment, say, in terms of trucks or the number of trucks and the types of trucks for volunteer firefighters?

**Mr Gregson:** We have got a project, that I have already alluded to, around Future Fleet which is going to look at the appropriateness and making sure that we have absolute, up-to-date equipment. That, of course, is part of the usual and ordinary course of business. There has not been a need to suddenly invest in new equipment for a particular geographical area.

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**Hon ALANNA CLOHESY:** Since the fires, have the volunteer firefighting brigades not themselves made recommendations to you about the types of equipment that they need in addition to what they have on the ground?

**Mr Gregson:** No. I am sure they would all like to see modern, new equipment. Some of them would like to have their equipment replaced annually.

**Hon ALANNA CLOHESY:** Within a realistic time.

**Mr Gregson:** We have good equipment replacement programs. We have a good relationship with the volunteers there in terms of their equipment. There is always a little bit of argy-bargy where extra appliances might reside for the fire season. We again apply those resources on a risk-related assessment of the area.

**Hon ALANNA CLOHESY:** I will follow that one up again later, too.

**The CHAIR:** In terms of planning for future fire stations, I note on page 130 you outline the ones that are currently in your plans. What work is going on, on an ongoing basis, in terms of planning of both metropolitan and regional fire stations? I guess in particular, as we have seen growth in major regional centres, I would imagine there must be some points where they go from being a volunteer to a career service. What planning is being done in that regard?

**Mr Gregson:** We have an annual planning process called a strategic asset management plan. That is articulated to the minister every year as to what the needs are for future growth or future capability, and what would be ostensibly the departmental wish list for future investment.

**The CHAIR:** I realise you have got to update your strategic asset management plan each year —

**Mr Gregson:** That is a 10-year plan. That articulates where we think there ought to be, in the out years, new facilities built. That is predicated or built up on a risk-to-resources modelling. As the metropolitan area expands or country areas expand, we identify a need for a fire station there or some other —

**The CHAIR:** I would have thought there would be some sort of ongoing planning. I realise you do that in a formal sense, but in terms of your planning on an ongoing basis—it may be that it is all incorporated in that document—you might say with the current growth we are going to need another station in Alkimos within the next five years. That would be an ongoing process —

**Mr Gregson:** That is correct.

**The CHAIR:** But you might from time to time have a major review.

**Mr Gregson:** That is correct—it is an ongoing process. We submit annually our view of the world and our disposition.

**The CHAIR:** In terms of over the next 10 years, how many new stations are we going to require in the Perth metropolitan area, based on your growth modelling?

**Mr Fewster:** We will take that on notice.

**The CHAIR:** If it is going to be taken on notice, I might ask for the strategic asset management plan to be taken on notice.

**Mr Gregson:** Sure.

*[Supplementary Information No B7.]*

**The CHAIR:** In terms of regional centres, how do we go about that? I cannot imagine it is easy. I understand the conflict that often arises between transitioning from being a volunteer to a career station. What work are we doing on identifying those towns in regional WA?

**Mr Gregson:** They are included in our 10-year strategic asset management plan as to where we would like to see stations over the next decade.

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**The CHAIR:** The thing that I find interesting is that in your asset investment plan in your budget, it does not seem to have money allocated for much planning work. For instance, the Perth west fire station suddenly appears as new work, with \$11 million to be spent this year. Normally, the sort of normal cash flow for an item like that is you would have some planning—sometimes it is recurrent expenditure, I accept that, but often it is capitalised expenditure—that you would be doing the detailed planning, say, in 2013–14 and then in 2014–15 you would start to go into the more detailed expenditure. Why is that not the case?

**Mr Pasquale:** As the commissioner referred to, there is the strategic asset management plan, and out of that comes a 10-year asset investment plan that we would put forward as part of the normal budgetary process to establish what you are talking about. The agency, over the last three to four years, has not been successful, given the current economic circumstances, in getting significant investment in capital in the out years. But certainly, through those documents, it has been identifying what they are. That is an annual process that we put forward. I guess following the budget process, the deliberations of that budget process are then published. It is not because there is not a planning process or there is not an identification process or what we think the desired resources are or the required resources in a particular time frame; at the end of the day it comes down to the capacity within the state to actually finance that. We look for alternative mechanisms to work with Treasury to try to find other ways.

**The CHAIR:** Are you saying you are putting up proposals for new fire stations and you are not getting them funded? Is that what you are telling us?

**Mr Pasquale:** Yes.

**The CHAIR:** You are actually identifying the need and you are not getting them funded?

**Mr Pasquale:** Most of the need is about replacing fire stations. When you look at the strategic asset management plan, or talk about the cyclical replacement program for items that reach the end of their useful life, the sample will also identify new capability. An example of that is West Perth. That is not a replacement station; that is a new capability. The state has been looking at it, to be fair to the Treasury and the state, and saying: is it replacement or new? West Perth is a new capability that we have never had before, so that will be expanding our capability. Yes, we do identify in a long-term sense not only replacement stations, but stations if we believe there is a new capability required. Only four years is published of that 10-year plan.

**The CHAIR:** I would have still thought, in terms of orderly planning, you normally would be having some capitalised planning money going in, in advance of the actual development of the station. This year, the Perth west station for instance, you have an \$11 million expenditure this year. I am going to hazard a guess that you will not spend that full \$11 million this year because —

**Mr Gregson:** We will, because that is for land.

**The CHAIR:** Is that all for the purchase of the land, is it?

**Mr Gregson:** Yes.

**The CHAIR:** I could not work out the cash flow on it. It was \$11 million, \$3.8 million and \$5.3 million, which is one of the weirdest cash flows I have ever seen for a capital project.

**Mr Pasquale:** Typically, the biggest struggle—not struggle, but complex component—of delivering a complete fire station is identifying a suitable piece of land. That can be quite complex because it needs to be very location-specific. It needs to be a particular size to meet a certain requirement. It might be subject to crown reserve, it might be a transfer, it may be we have to buy green title et cetera —

**The CHAIR:** Bush Forever, occasionally.

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**Mr Pasquale:** — all those kind of complexities. We like to try to secure land ahead of the construction. Typically, construction we like to facilitate over two years to give us some flexibility; hence why you will see our cash flow spread typically over three years more recently.

**The CHAIR:** Have we identified where the Perth west station is going yet?

**Mr Pasquale:** We have identified some potential sites. We are in negotiations about potential sites but we have certainly not secured a site.

**The CHAIR:** All of that \$11 million is budgeted for the purchase of the land and the deep early planning—there is no construction in that at all?

**Mr Gregson:** No; that is correct.

**The CHAIR:** Going back to the allocation, you do not get capital appropriation for fire stations. Looking at your budget papers, it would appear that it is all done either through borrowings or the ESL—or royalties for regions, is it not?

**Mr Pasquale:** Correct. Primarily, it is funded by borrowings, emergency services levy injections and internal funds and balances, with some, depending on history, to a lesser extent capital appropriations.

**The CHAIR:** I would imagine, though, that your borrowings are then repaid through the ESL?

[12.15 pm]

**Mr Pasquale:** So, yes, the financing, typically, yes. So, unlike what happened with FESA House, where the state contributed that equity contribution to reduce debt, previously there has been some significant —

**The CHAIR:** In a sense it was just giving you back the value of the —

**Mr Pasquale:** The value of the land, correct.

**The CHAIR:** So they were not giving you anything or contributing anything?

**Mr Pasquale:** No.

**Mr Gregson:** And we were not giving to them cheap, either.

**The CHAIR:** They were just giving you your fair share.

**Mr Gregson:** Correct.

**The CHAIR:** I think that is the term used regularly in Western Australian politics these days.

**Mr Gregson:** Correct.

**Mr Pasquale:** But if you went back over the last four or five years, the state has provided two injections to reduce debt, but typically our borrowings are financed, yes, by the emergency services levy, but there have been injections to reduce debt from the state in the past.

**The CHAIR:** So, in terms of historical —

**Mr Pasquale:** Yes. More recently on two occasions, I recall, probably in the last five or six years.

**The CHAIR:** But is that related to the sale of an asset?

**Mr Pasquale:** No. That has been because of, I guess, the state finances having the capacity to make one-off contributions, so there has been some, I guess, intent to actually want to see the level of debt reduced. And, as I said, it was probably, give or take —

**The CHAIR:** You almost must be one of the few agencies where that has occurred.

**Mr Pasquale:** Five or six years ago there were two—I think it happened about twice over about three years—quite large injections. But our normal borrowings program typically is financed through the emergency services levy.

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**The CHAIR:** So why would you then be subject to the current fiscal circumstances of the state if yours is all self-funded? Why should that be having an impact on you as an organisation?

**Mr Gregson:** That is a really good question and one that I regularly ask, Mr Chairman.

**The CHAIR:** I am just fascinated as to why we cannot get a more orderly planning system, because you self-fund it all, in terms of going forward, so that we have got that orderly planning that, you know, you would have in one year some funding for the planning, the next year for the purchase of the land, and then the following two years for the construction of it.

**Mr Gregson:** The agency strives to have very businesslike and orderly planning and endeavours to do that, but there are constraints with government agencies.

**Mr Pasquale:** It is not an unfair question. Whilst we are predominantly funded by the emergency services levy, depending on the nature of the transactions that we are talking about, we can have an influence on some of the state's performance measures. So, even though we are self-funded, depending again on the nature of the transaction, we may influence some of their measures like their operating balance or net debt. So, depending on how it is funded, where the money comes from—those kinds of things—we can still have an influence on government targets. But typically if we are financing it and it is in and out —

**The CHAIR:** But do you carry over much in the way of surpluses of the ESL each year; because that would mean annually you would have an impact on operating surpluses if you are carrying over last year's ESL to next year?

**Mr Pasquale:** Certainly. So what happens is the only carryovers are really typically for kind of program-related funding, and when we strike the budget for the following year, if there are any surpluses, minus what is specifically programmed or carried for programmed expenditure, that gets taken into consideration as part of the next budget process. So, purely for a hypothetical example, if we had a \$3 million surplus and we said that we needed to raise \$290 million next year, and as part of that program we wanted to spend \$290 million, we only need to raise \$287 million. So it is a balancing exercise.

**The CHAIR:** So do you have a limit placed on you on your borrowings?

**Mr Pasquale:** Yes, we do. The limit is what the borrowings amount is published in the *Budget Statements* in that funding table. So, we are governed by that annual allocation.

**The CHAIR:** With Geraldton Fire Station, what have been the delays, and will it be completed this year? You make mention of some delays in planning, but is that the only reason for the delays? I know there are two—there is the volunteer and the career.

**Mr Pasquale:** Yes, I was going to ask: are we talking about career?

**The CHAIR:** But I think they have both been delayed, have they not?

**Mr Pasquale:** No, the career has been delayed. I think the volunteer station is about to be completed.

**Mr Bailey:** They are occupying it now.

**Mr Pasquale:** They are occupied, so they have moved in; that is great. With the career, the delay has actually been securing the land—so, one of those complexities about the land being, if I am not mistaken, owned by the shire under a reserve. It is also about services to the land. The land is also subject to a development by the council. So, just some complexities about securing the land, which has taken a lot longer than anticipated. There was also some delay caused. I guess that is the first station, or one of the new model stations, where we have agreed a regional footprint with the union as well and the stakeholders to say, "This is now what we classify the new standard station for a major regional hub." So, it was important to actually kind of get stakeholder buy-in, and there was some delay about agreeing that. We have exchanged correspondence with the stakeholders to say,



“That’s the model that we will build in regional country cities now.” So that also contributed to some of the delay. But pretty much the planning cycle has ended; we are in the final stages of securing the land and going out to the market for construction very shortly.

**The CHAIR:** Right, because your annual report says that you expect to complete it this financial year. Listening to that, I would have thought that is not the case.

**Mr Pasquale:** I think in the latest *Budget Statements*, if I am not mistaken —

**The CHAIR:** In your annual report that you have just tabled, on page 130, you have Fire and Rescue Service Geraldton Fire Station estimated for completion in the financial year 2014–15.

**Mr Pasquale:** Again, this is a document that is some time out of date now. In the latest *Budget Statements* I thought that had been—let me just refer first, if you do not mind —

**The CHAIR:** This was tabled after the last lot of *Budget Statements*.

**Mr Pasquale:** I am sorry; what page are you referring to?

**The CHAIR:** It is page 130 of the annual report. Even land and building and works for the career Fire and Rescue Service at Geraldton, has it all been spent this year?

**Mr Pasquale:** So, my apologies. In the midyear review process that we are going through now?

**The CHAIR:** Right.

**Mr Pasquale:** My apologies. In the midyear review process, I am pretty confident that we have actually identified that that is going to be delayed to the following financial year. So, we will start construction, but we will not have it completed by 2014–15.

**The CHAIR:** So, what is your current time frame for completion of that?

**Mr Pasquale:** I cannot give you a specific date, but I am pretty confident it is due in the following financial year.

**The CHAIR:** We will take that on notice.

[*Supplementary Information No B8.*]

**The CHAIR:** Noting the time, unless there are any urgent questions that members want to ask, we will wind up. The committee will forward any additional questions it has to you via the minister in writing in the next couple of days, together with the transcript of evidence, which includes the questions you have taken on notice. Responses to these questions will be requested within 10 working days of receipt of the questions. Should you be unable to meet this due date, please advise the committee in writing as soon as possible before the due date. The advice is to include specific reasons as to why the due date cannot be met. If members have any unanswered questions, I ask them to email them to the committee as soon as possible after the hearing. On behalf of the committee, I thank you for your attendance.

**The Witnesses:** Thank you.

**Hearing concluded at 12.22 pm**

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