

The Property Owners' Association of New South Wales



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IPART:

Review of Fire and Rescue NSW fees and charges.

5th October 2021.

Submission on behalf of the:

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DISCUSSION PAPER:

Thank you for the opportunity to provide our feedback on IPART review of Fire and Rescue NSW fees and charges.

BACKGROUND:

The Property Owners Association of NSW Inc (POA NSW) is the peak body that has represented property owners in NSW since 1951. POA NSW relies on the feedback and support of our membership base, which is predominantly “mums and dads” who collectively account for some 96%¹ of all property owners in NSW.

WE ARE INTERESTED IN YOUR RESPONSES TO THE FOLLOWING QUESTIONS AND ANY OTHER COMMENTS YOU WOULD LIKE TO MAKE:

¹ “According the ATO there are just over 2 million property investors in Australia: Where 71% owned just one investment property; 19% owned two properties; 6% owned three properties; 2% owned four properties; 1% owned five properties; 1% owned six or more investment properties”.
<https://www.yourinvestmentpropertymag.com.au/news/how-many-property-s-do-investors-own-258529.aspx>

CAN YOU DESCRIBE YOUR EXPERIENCE OR EXPOSURE (OR THAT OF THE PEOPLE YOU REPRESENT) TO FRNSW'S CHARGES FOR FALSE AUTOMATIC FIRE ALARMS?

Our members own a variety of property types, which are generally rented. Such as; hotels, restaurants, function venues, residential apartment buildings, strata apartment buildings, boarding houses and retail shops.

Our members regularly face charges for false alarms.

DO YOU HAVE ANY COMMENTS ON THE CURRENT LEVEL OF FRNSW'S FALSE ALARM CHARGE (\$1,600) AND/OR THE AVAILABILITY AND APPLICATION OF LENIENCIES AND WAIVERS FOR THIS CHARGE?

The POA believe that the current balance of charges are 'too punitive', while waivers should be 'more encouraging', so as to achieve a *'pareto optimal'* outcome.

Where many buildings are used by one group (tenants/occupiers), but the responsibility for fire compliance measures falls to another (building owners), there is a disconnect in management, so a *'moral hazard'*² prevails.

Given the current high levels of charges, there is an incentive for building occupiers to disable fire alarms rather than risk significant punitive charges for false alarms. While an occupier has control over a premises, building owners will regularly carry out inspections and reinstate disabled fire systems, however if the false alarm charges were at a more *'reasonable'* level and with a more encouraging ('to do the right thing') *'incentivised'* system of waivers, this would be far less of an issue.

This is even more pronounced in strata schemes where addressable systems will allow false alarms to be identified and the owner's corporation will pass the cost to a lot owner, who will in turn pass it to a tenant/occupier. A charge that is upwards of \$1,500 for burning some toast, where a tenant may rent an apartment for \$400 per week is far too harsh. The net result is that the tenant will disable the alarm, and then the owners are left with a significant and constant battle on their hands to reinstate fire alarms.

² *Moral Hazard is a situation in which one party fails to act in good faith because another party bears the consequences of their behaviour.*

For the system to be effective as a deterrent, the charges need to be lowered and should also be scaled for use. For example:

Residential properties - \$300

Commercial/retail/industrial properties - \$500

Hospitality venues - \$750

Further, the system of waivers should be expanded, so that a responsible operators of premises will have them waived. The current system of waivers inadvertently captures responsible parties that are doing the right thing and can be very unlucky due to the timing of false alarm events.

So, for example, a premises should be granted say two additional false alarm waivers each year if they demonstrate they have appropriate measures in place and have a history of very low false alarms. Also, if these 'additional annual waivers' are unused, they should carry forward into the following years to '*incentivise*' responsible false alarm mitigation practices. (Larger premises could be allocated more than 2 per year).

The current system which features a blanket excessive charge is not helpful, often lands the burden of charges with the wrong party who has no control over use of the property (subject to lease arrangements), and does not achieve the goal of the charge, which presumably is a high level of compliance.

Yours Faithfully,

On behalf of The Property Owners Association of NSW.

Peter Dormia

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