Submission
No 58

EMERGENCY SERVICES FUNDING REFORM

Organisation: ClubsNSW

Date Received: 19 June 2026

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Select Committee on Emergency Services Funding Reform
Legislative Assembly
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Emergency Services Funding Reform

ClubsNSW welcomes the opportunity to contribute to the Select Committee's inquiry into emergency services funding reform and the replacement levy options set out in NSW Treasury's options paper.

In principle, ClubsNSW supports reforming the current insurance-based Emergency Services Levy (ESL). The current model is inefficient and depends on whether a person or business is insured. However, it is not clear that the practical benefits of the replacement levy would be realised by clubs in the same way as other landholders.

Position

ClubsNSW's position is that the replacement levy should be tested against the circumstances of registered clubs, rather than assuming that all commercial landholders are affected in the same way. In that context, ClubsNSW's key points and recommendations are as follows:

- Looking at the commercial property sector in aggregate risks overlooking the land use, operating model and title arrangements of individual landholders, including registered clubs.
- One club site should not attract multiple charges simply because the land is held across several parcels.
- The fixed commercial tiers should be reviewed so that community-based clubs are not treated in the same way as much higher-value commercial assets that may be better placed to pass on or absorb costs.
- Motor vehicle users should contribute to the replacement levy, rather than having the former motor vehicle ESL burden shifted entirely to non-residential property owners.
- Mixed-use and community-facing club land should be considered further, noting that existing NSW tax settings already recognise that registered clubs are not always comparable to ordinary commercial landholders.

Fixed commercial tiers may not reflect clubs' capacity to pay

The effect of a land-value-based levy would vary materially across the club sector. Some clubs operate from lower-value regional sites, while others occupy larger metropolitan sites with higher land values. Clubs varyingly have mixed sporting, community and hospitality uses. However, land value alone does not indicate a club's financial capacity to meet a higher direct annual levy.

Clubs are not conventional commercial businesses. Many operate on modest margins while maintaining substantial community assets. ClubsNSW analysis indicates that around 35 per cent of club groups are operating at a loss. Concerningly, that 34.8 per cent of clubs are in a distressed or vulnerable financial position. Conversely, 20.6 per cent of clubs have strong or reliable financial health.

It is also relevant that 72 per cent of clubs have turnover below $10 million per annum, which aligns with NSW Treasury's preferred small business definition. For uninsured or underinsured clubs, including several known to ClubsNSW, the replacement levy would also be a new direct cost rather than a substitute for an amount already paid through insurance.

For these reasons, the commercial tier design matters. Where broad fixed bands apply, a club with constrained cash flow may be grouped with much higher-value commercial assets that are better placed to recover or absorb the levy.

NSW Treasury's modelling indicates that commercial land would carry a higher average burden than under the current ESL, with the strongest effect at the upper end of the commercial market. Many metropolitan clubs are likely to fall within the higher commercial fixed-charge bands.

Under several options, once land falls into the top commercial tier, it pays the same fixed amount as every other property in that tier. This could see some community-based, not-for-profit clubs treated in the same way as shopping centres or commercial office buildings valued well above the relevant threshold. Take for example a metropolitan bowls club, where land value may reflect redevelopment potential rather than the club's actual use of the land or its capacity to pay. A site may be valued by reference to its zoning or potential higher-value use, even though it continues to operate as a community sporting club. Under Options A, B, D and effectively E, the top commercial tier applies to all land above $2.41 million, while Option C adds only one further commercial tier above $4.39 million.

That raises a practical equity issue. Office buildings and shopping centres – many of which may be valued far higher than the top commercial tiers for each option – are generally better placed to pass on costs through tenants than member-based, not-for-profit clubs.

Recommendation 1 **The Committee should recommend that NSW Treasury review whether the fixed commercial tiers produce fair outcomes across different commercial landholders, including community-based, not-for-profit clubs, and whether additional higher-value tiers are more equitable.**

Motor vehicle users should contribute to the replacement levy

The options paper excludes motor vehicles from the new land-value revenue base, despite motor vehicle insurance currently contributing to emergency services funding. NSW Treasury states that motor vehicle insurance contributed 6.4 per cent of ESL revenue in 2023–24 and assumes that amount would instead be recovered from the non-residential property sectors.

That has practical consequences. Commercial and industrial landholders would not only replace the ESL currently embedded in their own insurance costs; they would also contribute toward a burden currently carried by vehicle users. Given emergency services respond to road crashes and other vehicle-related incidents, there is a reasonable case for vehicle users to contribute to the replacement levy.

For clubs, the point is that the levy would do more than remove an inefficient insurance impost; it would also reallocate part of the funding task. The final design should avoid shifting costs wholly onto non-residential landholders simply because they fall within the new property base. This is a fair burden-sharing issue, not opposition to reform.

Recommendation 2 **The Committee should recommend that NSW Treasury incorporate motor vehicle user contributions to the replacement levy, rather than recovering the former motor vehicle ESL burden entirely from non-residential landholders.**

A key issue for clubs is parcel-based charging

A central concern for ClubsNSW is that the levy framework is structured by parcel. The existing levy framework is parcel-based, and the 2024 land-classification amendments require councils to classify each parcel for reform purposes. In practice, a club operating across several joined parcels may face separate fixed charges on each parcel, even where the land is used and managed as one integrated club site.

This is significant because many club sites are not held under a single title. For example, a clubhouse may sit on one parcel, sporting land on another, parking on a third, and adjoining or legacy land on others. A club spanning four or five parcels could therefore face four or five separate levies, potentially across different assessment bands, despite operating as one venue. In that situation, the charge increases because of historical title structure, not because the club has greater capacity to pay.

While a single fixed charge may appear manageable in isolation, the position changes where several charges apply to one integrated club site. This is an equity and simplicity issue that is not clearly addressed in the options paper. If not addressed, clubs may be charged not only by land value, but also by title fragmentation.

Recommendation 3 **The Committee should recommend that NSW Treasury include a mechanism to prevent multiple parcel-based charges applying to one integrated club site under common ownership and common use, including registered clubs.**

Mixed-use and community-facing sites warrant further consideration

Many clubs operate from mixed-use sites that may include sporting land, clubhouses, hospitality operations and community facilities on the same site. This is recognised elsewhere in the NSW tax framework, where registered clubs may receive concessional land tax treatment for land used for eligible club or community purposes. That does not mean the same approach should automatically apply to emergency services funding, but it is a relevant consideration because club land is not always treated as ordinary commercial land for NSW tax purposes.

ClubsNSW is not asking the Committee to settle the detailed treatment of mixed-use club land in this inquiry. If a preferred model is progressed, NSW Treasury should consider whether mixed-use and community-facing club land warrants different treatment, particularly where land value does not reflect capacity to pay and existing tax settings already recognise the distinct character of registered clubs.

Recommendation 4 **The Committee should recommend that NSW Treasury further consider the impact on mixed-use and community-facing club land, including whether existing land tax concessions for registered clubs provide a relevant basis for different treatment.**

Conclusion

ClubsNSW supports reform of the current insurance-based ESL. For clubs, the key question is whether the replacement levy is fair in practice. We respectfully ask that the Committee make recommendations to NSW Treasury on the fixed commercial tier design, the treatment of vehicle users, the risk of multiple charges on integrated club sites, and the treatment of mixed-use and community-facing club land.

Please do not hesitate to contact me on [redacted] to discuss this submission further.

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