

An update on the work on the figures.

This is continuing work and figures are constantly revising, not least because as you know the EBA is pervasive to CFA and represents significantly different business practices. The EBA also needs legal advice which can materially affect the costings. Only a small proportion of the numerous clauses have had focused attention from the finance and operations team for costing. Those have been the expected larger financial impact clauses. The rest have indicative costs, and it is quite likely that there are clauses with unidentified costs impacts.

On Wednesday and Thursday we had a flurry of interaction with DJR and DTF on the costs.

At that point, our total indicative cost of the clauses was \$627m. This is just the costs of the clauses and sign-on payment of \$3k per person. It does not include costs likely to be incurred but that don't fall within the normal EBA costing rules – e.g. the additional staff that CFA will require to manage and administer the EBA.

Over the two days, DTF were provided with lots of our workings and spreadsheets and extensive explanations. They challenged the costs in places and identified only two adjustments totalling \$31m, which we accepted as reductions. This gives a total of \$596m at that point – again clauses only.

DTF did not show us their workings or summary analyses. However, as far as we can understand from the conversation, they split the overall costs into two groups (my descriptor for the purposes of this email):

- Group 1 – 7 on a fire-ground, no training on station (clause 83.4), long distance deployment (clause 152) - total \$411m
- Group 2 – the rest – total \$185m

DTF's figures were considerably lower, but not available to us. We also advised during various conversations that we thought some costs might be higher than we had indicated in our schedules totalling \$627m (e.g. income protection (clause 59)).

DTF's view was that their costs for Group 2 were low and ours were high. They developed the view that the costs were probably in the range of \$140m to \$160m. However, this was not endorsed or agreed to by CFA.

A meeting for further discussion was arranged by DTF for Friday and then cancelled by DTF.

Costing work has continued on Friday and will continue until told to stop. Additional costings have been identified and the current view of the costs is \$663m, although a further potential \$57m has also been identified. Thus our current view of the costs – of the clauses only – is still in and around the ball park of the range identified to the FWC of \$671m - \$755m.

As indicated above, there are many clauses that CFA has not yet been able to give focused attention to. Although we did not see the DTF costing sheet this week, we have seen an earlier version. On that sheet, DTF's estimated costs are often higher than CFA's or have costed conditions that CFA has not got a cost for. Obviously DTF don't have CFA's business knowledge, but on the other hand these are clauses that CFA has not focused on and one would normally expect DTF to be conservative in their costing. DTF's (and other's) additional costings for these items amounts to \$105m, and which

is separate to the \$57m above that CFA has identified. So this represents a risk of additional costs to CFA's total.

So, in sum our current view of the indicative costs of the clauses is \$663m, although there are currently identified higher costings totalling an additional \$162m (\$105m + \$57m) to be investigated. It's unlikely that these will all be additional cost, although it is probable that there is some.

As we have discussed, definitive costing of this agreement is an extremely difficult task and the costs of the individual clauses vary often as we work through the varying options of how they will or can operate in practice. These are costs from the work to date rather than 'firm and final' costs. However, the total indicative cost of the clauses has tended to stay in and around the ballpark advised to FWC.

Regards

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