



Australian Government
Productivity Commission

PRODUCTIVITY COMMISSION

**INQUIRY INTO NATURAL DISASTER
FUNDING ARRANGEMENTS**

MS K CHESTER, Commissioner
MR J COPPEL, Commissioner

TRANSCRIPT OF PROCEEDINGS

**AT BOULEVARD HOTEL, SYDNEY ON
MONDAY, 27 OCTOBER 2014, AT 9.00 AM**

INDEX

	<u>Page</u>
AUSTRALIAN BUSINESS ROUNDTABLE FOR DISASTER RESILIENCE AND SAFER COMMUNITIES: MIKE WILKINS ROBERT TICKNER JULIE BATCH	2-16
INSURANCE AUSTRALIA GROUP: ANDY CORNISH REECE WILLIAMS JULIE BATCH	16-26
INSURANCE COUNCIL OF AUSTRALIA: KARL SULLIVAN ALEX SANCHEZ	26-35
AUSTRALIAN COASTAL SOCIETY: TOM FITZGERALD	35-42
INSTITUTE OF PUBLIC WORKS ENGINEERING AUSTRALASIA (NATIONAL AND QUEENSLAND DIVISIONS): MICHAEL KAHLER CHRIS CHAMPION SUZANNA BARNES-GILLARD	43-53
FINANCIAL RIGHTS LEGAL CENTRE: ALEXANDRA KELLY JULIA DAVIS	53-60
SOUTH AUSTRALIAN FIRE AND EMERGENCY SERVICES COMMISSION: DAVID PLACE	60-72
FLOODPLAIN MANAGEMENT ASSOCIATION: IAN DINHAM	

BROOKE O'ROURKE	72-83
SWISS RE: NICOLE GAMEROV DOMINIC IMLACH	83-89
NATIONAL INSURANCE BROKERS ASSOCIATION: DALLAS BOOTH	89-97
RISK FRONTIERS: JOHN McANENEY ROB VAN DEN HONERT	98-105
BEATTY LEGAL: ANDREW BEATTY BALLANDA SACK	106-113
ECONOMIC SECURITY4WOMEN: SALLY JOPE	113-118
AUSTRALIAN SERVICES UNION: GREG McLEAN	118-127

MS CHESTER: Welcome to the public hearings for the Productivity Commission Inquiry into Natural Disaster Funding Arrangements. My name is Karen Chester and I am one of the Commissioners of the inquiry; my fellow Commissioner is Jonathan Coppel, who is here with me this morning.
5 As many of you would know, our inquiries started with a reference to the Australian Government in April of this year, and it covered the full scope of the current Commonwealth, State and Territory expenditure on natural disaster mitigation, resilience and recovery.

10 We released an issues paper in May and we have been receiving submissions since then. Prior to our draft report we received 119 submissions and, as many of you would know, we have benefited very much from the consultation we have managed to have during that time period, meeting and speaking with over 120 organisations and individuals with an
15 interest in the issues before us, and we held roundtables in Brisbane, Melbourne and Canberra. We released a draft report in September and we have received about 75 further submissions in response to our draft report.

20 I just wanted to take this opportunity to just personally say thank you on behalf of the Productivity Commission to the organisations and individuals that have actually taken the time to meet with us, to prepare submissions and to appear at these hearings and to be actively involved in the roundtables. The purpose of these hearings is to facilitate public scrutiny of the Commission's work and to get your comment and feedback on our draft
25 report.

This is the first public hearing of our inquiry. Following today's hearing in Sydney, we will be holding hearings in Melbourne, Townsville and Brisbane. We will then be working towards completing our final report to
30 Government and providing that to the Government in December of this year.

Participants and those who have registered their interest in this inquiry will be advised of the final reports for release by Government which may be up to 25 parliamentary sitting days after its completion under our Act. In
35 terms of today's hearings, we actually like to conduct our hearings in a reasonably informal manner, but I do remind participants that a full transcript is being taken today, and for this reason we can't take comments from the floor during the public hearings, but we will provide an opportunity at the end of today for anybody who wishes to do so to make a brief presentation.

40 While participants aren't required to take an oath, I thought it was worthwhile mentioning that under our Act you are required to be truthful in your remarks, and participants are also welcome to comment on the issues raised in other submissions that we have received, both pre and post draft
45 report. The transcript of today's public hearings will be made available to participants and will be also publicly available from the Commission's website following the hearings. And as you would know, submissions are

also available on our website.

5 For any media representatives attending today, some general rules do
apply, so I would appreciate if you could just make yourself known to our
staff members who are sitting up the back, Mary and Erin, and they will
explain those rules which we have got set out for you. To comply with the
requirements of some legislation that is probably more so common sense, in
the event of an unlikely event of an emergency requiring the evacuation of
the building, just please listen to the instructions of hotel staff and make your
10 way to the nearest exit.

If you do require assistance in that process, please mention that to one of
our team members today beforehand. Participants are invited to make some
opening remarks but we ask that they try to limit those to about five minutes
15 so we can keep our discussion to focussing on some questions that we have,
to make sure that we understand what your position and your views are with
respect to the natural disaster funding arrangements. I would now like to
welcome the Australian Business Roundtable for Disaster Resilience and
Safer Communities to join us. As we are recording for the transcript, it
20 would be great if each of you could just respectively state your name and the
organisation that you are representing today.

MR WILKINS: Good morning. My name is Mike Wilkins and I am the
Managing Director and Chief Executive Officer of Insurance Australia
25 Group, but also a member of the Australian Business Roundtable for Disaster
Resilience and Safer Communities.

MR TICKNER: Good morning. I am Robert Tickner, the CEO of
Australian Red Cross and a member of the roundtable.
30

MS BATCH: My name is Julie Batch. I am the Chief Analytics Officer at
IAG and one of the working party leads for the Australian Business
Roundtable.

35 **MS CHESTER:** Thank you very much. I just wanted to say, we did want to
thank the Australian Business Roundtable for being very proactive in this
space. For the two submissions we have received from you from the several
meetings that we have had with your team, and involvement in the
roundtables and today's public hearings. I would just like to open it up to
40 some openings remarks if you would like to make them, Mike, Robert and
Julie.

45 **MR WILKINS:** Thanks, Karen, and thank you to both, Commissioners.
The Australian Business Roundtable certainly welcomes this opportunity to
appear before you and to discuss the Productivity Commission Inquiry into
Natural Disaster Funding Arrangements and to comment on your draft report.
We think that the inquiry is a really positive step in how we deal with the

impact of natural disasters in Australia. As you know, Australians all too regularly face natural disasters like cyclones, flooding and bushfires, and we believe it's in the interests of all Australians that we change the way that we prepare for those.

5

Improving our national approach to natural disaster funding makes economic sense, but more importantly we believe that it will save lives and save property. I think everyone agrees that prevention is far better than cure and to that front we believe that we need to invest more in effective disaster mitigation measures and in keeping our people safe through the creation of more resilient communities. Today we are hopeful that the commission's findings will lead to a more effective national approach to preparing for natural disasters.

15 We would like to congratulate the commissioners on the draft report and note in particular your recommendation in relation to increased funding of \$200 million by the Australian Government for pre-mitigation, as opposed to post-disaster reconstruction. This is certainly very much in line with the Roundtable's commission white paper which we released in 2013 which
20 demonstrated that carefully targeted resilience investments of \$250 million per annum had the potential to generate budget savings of \$12.2 billion dollars for all levels of government, and reduce natural disaster cost by about 50 per cent by 2050.

25 To achieve this, however, the Roundtable's white paper notes a program of mitigation activity must be developed based on a cost benefit analysis informed by critical natural disaster information. The Productivity Commission's acknowledgement of information being critical to understanding and managing natural disaster risk is encouraging, however,
30 we believe we need to go further with this. We know the key to better understanding the impacts of natural perils is the availability of accurate current data and relevant research.

35 Critical natural disaster information is, however, difficult and sometimes costly to access. It's often incomplete or out of date and it's frequently duplicated across sources. We believe that the Commission's final report would be remiss if this wasn't addressed. In our opinion, this fundamental need for information to be organised through the establishment of a national platform for natural disaster data and information so that users such as
40 householders, communities, business and government, can make informed decisions as to how to mitigate risk and informed decisions about the impact or potential impact of natural disasters. A national platform can more effectively inform State and locally-based land use planning reforms and it can enhance building codes to protect property as well as life and safety
45 performance.

In this regard, the Australian Government has got a key role to play here

5 as a leader, as a policy maker, as a legislator and as a funder, to address the approach to natural disaster management. Both of the Roundtable's commissioned research papers highlight that through the centralisation of decision-making and funding through the appointment of a national resilience advisor, and the establishment of a national research agenda, the Government will be better able to co-ordinate and prioritise resilience activities across relevant departments and levels of government and better able to invest in long-term sustainable community engagement and education programs. All of those being critical to saving lives and property.

10 By pursuing the key recommendations of the Roundtable papers, economic cost can be materially reduced, as well as relieving long-term pressure on government budgets. However, more importantly, a safer Australia can be created through building resilience against the trauma and loss of life that all too frequently confronts many of our communities when a natural disaster strikes. As I said at the outset, the Australian Business Roundtable is grateful for the opportunity to come before the Commission and we are now available to answer any questions that you may have. Thank you.

20 **MS CHESTER:** Thank you very much. And thank you very much for the post draft report submission, because that did help us get a better understanding of really what you are trying to achieve through the recommended national platform. What would be helpful would be to get a better understanding in terms of – you have sort of identified a couple of strings of issues around the natural hazard information. One is duplication, gaps and access. How do you see the national platform fixing those three problems?

25 **MS BATCH:** I might respond to that. What we observe with the data and the information is that because there is no co-ordinated approach to the delivery of what we would call foundational data, so that is maps that can't be debated, so really things that are fact-based, maps that can't be debated, elevation data that can't be debated, geocoded data that shouldn't be debated, our view is that better coordinating that information will allow accurate detailed and appropriate research to be derived.

35 We would argue that today you see that data, because it's not freely and openly and available, be duplicated across multiple industries. There is a number of examples in the Australian Government at the moment where there is duplication of that information, for example, the Department of Agriculture, the Department of Communications through the National Mapping platform, so there is a number of areas where we see multiplication of information.

45 What we are calling for is the opening of that data, because at its foundation that is what all of our research is derived from, irrespective of the

industry in which we - and the vertical in which we sit, and that that will help make sure that the \$200 million is spent appropriately, our view is that a leveraged additional 20 per cent benefit in savings.

5 **MS CHESTER:** We do have a recommendation about open data, particularly as it relates to the public sector. What you're talking about with the platform then is more removing the duplication, allowing access to data that then isn't public sector data, or?

10 **MS BATCH:** That is correct. So a combination of both public and private sector data where it's appropriate. For example, if we use the National Mapping initiative from NICTA, what we observed through that is a very detailed map with a considerable number of layers of information that would be - that are extremely useful actually to a broad range of industries, and we
15 would propose that that continues to be developed and opened.

Our concern is if it becomes the responsibility of each individual State to drive its own data, that we would be missing an opportunity to leverage a national approach. We would suggest that political boundaries aren't the
20 the same as the geological and natural hazard boundaries, and it's incredibly important to look at it across Australia.

MS CHESTER: So of the foundational data that the business roundtable is talking about, who would then be the primary providers of that information to
25 this sort of platform?

MS BATCH: Yes. Again, if we use the National Mapping initiative as an example, our view is that the primary provider should be the Federal Government where those maps go across Australia, specific local
30 governments and government agencies where it relates to local perils, for example, flood is more localised, providing data and information that can help researchers, government and the private sector deliver insights.

MS CHESTER: Would insurers and other stakeholders in this space also be
35 providing information to this platform?

MS BATCH: I think there is an opportunity for that to extend beyond just the public sector in the future. We do already provide a considerable amount of our information through to the ICA through the Australian Business
40 Roundtable to help inform government about research areas, but we would suggest that there would be information that we could provide to this platform that would help communities make decisions about mitigation investment.

45 **MR COPPEL:** Is it fair to say that the framework would act a bit like a portal that brings together the different sources of information?

5 **MR WILKINS:** Well, we certainly think that it is important that there is one single repository of this information. Yes, it could partially act as a portal but we think that the actual data should be sitting there and available. And, as we have said in our submission and I alluded to in my opening remarks, we believe that the Federal government would be the appropriate repository for all of that information, making it available to all of the interested stakeholders.

10 **MR COPPEL:** In the submission on the draft report you make a reference to the recently announced National Map open data initiative which would be collecting foundational data on geocoded location of assets. Is that then something that would be placed in this framework or would be connected to that initiative, I'm just trying to understand?

15 **MS BATCH:** I think our view is that that is a wonderful start to what we are suggesting. So, that already has a number of layers of data within it that you can visualise on the map, it's already been created, it's run by NICTA which is funded by the government, and supported by Malcolm Turnbull. We think that that provides the great platform that we would be advocating for. Our
20 view is that the \$200 million that you have earmarked for investment is a fantastic amount of money to be funding mitigation, and we absolutely support that. Our concern is how that money gets allocated and decisions are made.

25 We think an investment somewhere in the region of \$20 million at the outset, with potentially a further \$5 million annually to maintain a platform such as that coming out of that budget would help make every single research decision that is then made from the investment more appropriate, provide a greater cost benefit analysis and a safer Australia.

30 **MS CHESTER:** The \$20 million is to fund the platform then, Julie, is that how you see it?

35 **MS BATCH:** Correct. If you use National Maps as a framework we would suggest, based on some research that we have done, the \$20 million investment would be sufficient to establish the national platform appropriately, make sure that the right data sets are utilised from the outset, and provide the appropriate framework going forward. We believe that that would then potentially take a further \$5 million annually to maintain.

40 **MS CHESTER:** One of the issues that has come up about access to sort of some of the foundational data is around licensing and the cost involved with private sector providers, for example, with LIDAR data, is that part of what the \$20 million would be used?

45 **MS BATCH:** So, yes, would be the answer to some of it, yes.

5 **MR WILKINS:** We think that, you know, it's clearly a legal question but we believe that part of that would be to effect that licensing and to be able to look at ongoing access to some of that information, because the private sector has significant information, as does the public sector. So, to bring it back to the point at hand, the single repository, we think, is the best outcome for all concerned.

10 **MS CHESTER:** Two issues that we have sort of identified and trying to get our heads around a national platform, the first one is around the issue of what is the role of the platform, and Jonathon touched on it before, is it just to provide a one stop shop to point people to where the information is or is it to act as a gatekeeper, because being a gatekeeper, with that comes issues of liability around owning and being responsible for that data, and its efficacy?

15 **MR WILKINS:** I think to be effective it needs to be more than just a gatekeeper and pointing people to it, because I think then you get the inconsistencies that can otherwise exist. If you've got a set of standards that actually do apply to this, and it is the repository, then I think that you get far more relevant information that is available to the broader community to make what we think are quite serious decisions about land use, about building, and
20 just about the perils that they may face.

I understand the liability question, and I'm not a lawyer so I can't comment on that, but I do believe that appropriate protections can be put in place to ensure
25 that that liability can be ameliorated, if not eliminated.

MS CHESTER: One of the issues that particularly local government have raised with us when we've spoken to them is having confidence in how to use the data. So, there's an issue of whether or not you have standards or
30 guidelines, is that the role of this national platform as well, to sort of set those standards and guidelines for how the data should be collated and how the metadata should be used, and how the modelling should be done round, say, flood mapping?

35 **MS BATCH:** Yes. I think that in order to get the best out of the platform the answer to that would be yes, we would encourage the establishment of guidelines and consistent practices, and use guidelines as well. I think if you talk to any researcher, the fact that you can take out of the debate about the research, the quality of the information, improves your ability to challenge
40 the actual research and compare the research that is thrown from it.

I think there is already a number of organisations that are thinking in this space, so the Bushfire Natural Hazards Research Centre, the National Mapping platform, Geoscience Australia, all of those bodies already spend an
45 incredible amount of time thinking about how data is used. And I don't think that is inconsistent across any researcher, I think the use question would be relatively easy to establish.

5 **MR COPPEL:** Do you envisage in the governance of this framework any provisions that create the authority to be able to say this is the methodology that should be used for collecting this sort of data, or in terms of data that is out of date, to be able to note that and collect up-to-date information? What sort of power or authority would the framework have?

10 **MS BATCH:** Again, we would absolutely support that body having power and authority to decide on how to use the data and when to update it. We would absolutely encourage that. That is one of the reasons why we have advocated for – the Business Roundtable has advocated for the decision-making to be brought to the centre of government so those decisions can be made and we would completely support that.

15 **MS CHESTER:** Having spoken to 120 organisations, one thing that we did clearly take out from them is it's not a case of one size fits all when it comes to natural hazard information. So one of the issues we are kind of struggling with is if you have got this single portal with, as you said, the factual based data, what is factual based data that is required for a local government in
20 North Queensland is very different to factual based data that would be required for Perth. I guess it's what sort of level of granulatory are you thinking with respect to the data?

25 **MR WILKINS:** I guess that depends on the type of peril that it's exposed to. For instance, from flood we would want elevation mapping and flood mapping that was actual quite granular going to centimetres in terms of its accuracy, whereas for bushfire exposure, for instance, tens of metres is appropriate in that scenario. So I think it would depend on the type of hazard that you were looking at, and it would also depend on the availability of that.

30 **MS CHESTER:** Sorry to interrupt. I think somebody might have – okay, sorted, great. Thank you. Sorry, Mike, just so we were able to hear what you were saying.

35 **MR WILKINS:** I think it depends on the type of hazard, because with flood and storm surge you need quite granular and quite micro data availability, whereas bushfire, it could be tens of metres and you achieve the same outcome.

40 **MR TICKNER:** Might I just chip in if I could. May I just say a couple of things briefly? I just wanted to reinforce and come back to this question, but just reinforce the enormous value of your inquiry and your draft report. I just came back from a regional meeting of Red Cross and Red Crescent Societies for the Asia Pacific and Middle East. So 53 Red Cross, Red Crescent
45 Societies from all around the world, and your draft report was very much mentioned in plenary sessions referred to and was widely understood to be quite ground-breaking, and I think will likely be followed up by a number of

different jurisdictions. So I just want to put that firmly on the record. You are to be congratulated.

5 In relation to the question of data, although this is primarily a matter for, I guess, more intense interest by the business community, it is also of interest to Red Cross as well as an organisation which has one of its major focuses, responses to natural disasters. If I could crystallise it in my own words, I think the idea of a common platform, a portal, while the detail has to be worked out, the essential message of it is to say to the wider governments
10 across Australia that we really do have to talk to each other as a country and we do have to have systems and processes which will be transparent, which will be able to be used as key support, documentation and data bases for people which is easily accessible and which, frankly, have some commonality and which talk to each other.

15 You are quite right when you highlight the great disparity between a city or a town in the north of our country and some in the south, but of course there are huge parallels in, say, Cairns or Darwin in their potential susceptibility to cyclones and so on, and obviously bushfires are something that affect most of southern Australia. So, for me, it's almost a – what do I
20 call it, it's almost a recommendation which is a catalyst to push our governments at all levels to essentially get their act together. And there will have to be a huge amount of dialogue and discussion in order to get this right.

25 So I don't think we should feel guilty that we can't, right now, draft the blueprint of the detail of how this will work because there is actually a lot of work that has to be done in order to finally get the final form of the actual database and platform that is being advocated. So I just wanted to reinforce the importance of those things. Thank you.

30 **MS CHESTER:** Thanks, Robert. In that sense then, because we are talking about different data across different natural hazards, it would be good to get your sense of who you think, in an organisational sense, would take, I guess, the leadership role in such a platform. And also we have seen, I guess, the good, bad and the ugly when this has happened in the past, where it has
35 worked, where the Commonwealth has tried to co-ordinate the gathering of natural hazard information. It would be good to get your sense of what was missing in the equation previously that the Roundtable, and the way that you see that working, would address those shortcomings.

40 **MR TICKNER:** I think that we see that the Commonwealth government actually, being more than the co-ordinator, being actually the repository of this information and, as Julie mentioned earlier, setting some of the standards that are necessary in terms of what this data is, not just how it's gathered but
45 what it is, is quite important in all of this. It's one of the reasons why the Roundtable has called for a national resilience co-ordinator to be at the centre of government because we think that that is the best place to actually be able

to coordinate this.

5 One of the great uses of the data that then becomes available is the
funding we are talking about here can then be very specifically earmarked for
those areas where there is going to be the maximum payback in terms of
resilience against natural perils, but also we need to look at that and think
about the exposure of life and property in terms of that scenario. We talk a
lot about property but the loss of life and the exposure that is presented by
some of these perils is something that we think, by having this information
10 more readily available and co-ordinated centrally, we can get a better
outcome on that front as well.

MS BATCH: Perhaps to respond to what has changed, I think we would say
a couple of things. First of all, it's a completely different age now. The
15 computing technology and people's ability to work with data is dramatically
different to that which it was historically. The second thing that I think is
occurring is that there is a global call for open data and information and you
do see trends across the world, in New Zealand and in the United States in
particular, where these data sets are being made broadly available so you can
drive better research outcomes.
20

I think we would suggest around the layers of data, because we have
been present for some of the discussions around which data is appropriate, is
that we would advocate starting somewhere and then progressively, whether
25 you made the call about accurate data or improving the timeliness of data,
there is also the ability for this platform to improve the resolution of data
over time, and so that progressively our ability to move down into that finer
level of resolution, finer level of detail, is easier.

MR COPPEL: You will have seen in our draft report that we are a little
sceptical of the idea in terms of how that generates the benefits, which I think
we all share, which is why we are asking quite specific questions. But I do
think the devil is in the detail to really understand how the design would
actually add value over existing database. On the issue of data being out-of-
35 date, this is one of the usual pitfalls of a common portal. It's up-to-date when
it's first launched, but very quickly that data does get out of date because
there is so many different information sources and you really do need
protocols between the original collectors of the data and how that gets
transgressed across to the platform or to the framework.
40

There are multiple sources of data and it's important to have multiple
sources of data. Do you envisage any data that is collected by private
enterprise as being uploaded onto this framework and a power to actually
access that data? We found there is a lot of data available, it's really the
45 accessibility of the data that seems to be more of an issue and the way in
which it's made accessible.

MS BATCH: I think, to respond to that in two ways, first of all there is – you are right around currency of data, however, there are a few fundamental data sets that should always be current where government is the best place to direct that. Australia currently has no consistent geocoding capability where
5 many other countries do, and the government is best placed to do that, so we really do understand where our assets are positioned in our country. Things like elevation data, topography data, stuff that is available across the government today, we would suggest those things continually update.

10 Yes, there will be research and other information sets that will age over time and we should understand those, but there are certain pieces of foundational information we think should always be current. In terms of private industry making its information available, as we said before, we do that now. We do that through the ICA with the mapping work that we do
15 through the NFID, and we would be supportive of that information being made more broadly available to help inform Australians about their risks and we would want to make sure, however, that the portal is co-ordinated by an authority and therefore that that information is secure, treated appropriately and depersonalised, and that is why we continue to call for a national
20 response.

MR COPPEL: How would that part of the framework relate to the national flood portal that geoscience is putting together?

25 **MS BATCH:** I think the national flood portal should be integrated within this framework. As with a number of other perils' views that are currently being constructed.

30 **MR TICKNER:** Can I just make a further observation, if I could? I have seen up close and personal, members of the Business Roundtable who have demonstrated to me absolutely this enormous strength of commitment by people in the business community who want to see us get our act together as a nation in relation to this area. I have been, frankly, enormously impressed by the extent to which people have put sectional interests aside, ready to
35 work for the common good, and certainly in Red Cross we have moved from a State based system that existed for the best part of 100 years, 95 years, to a much more cohesive national system for our operation, and that has led to a transformation of our capacity to do good work in response to natural disasters, as it has done in relation to other areas of work.

40 So really it's the same sentiment, it's essentially saying that we have to determine the principle is correct, the detail obviously has to be worked through. Julie has responded to a number of those questions, but I think realistically, at the end of the day, there will have to be quite intense
45 discussions and negotiations between governments, between different sections of government, because often they don't talk to each other. Sadly, as we know, it's not a matter of any one government, it's an endemic challenge

of running a country, so I think supporting the principles, getting some substantive analysis of the biggest challenges, which I think you are doing, will then ultimately have to leave it to governments themselves, and the private sector as well, to finally resolve on the detail, in my view, of what this ultimately looks like.

MS CHESTER: If we focus just initially on maybe the first instalment of the platform which is around the geo-coding elevation and topography, that foundational data, who would you see as the primary decision-makers in the natural disaster space that would benefit from that information? Who do you see would be the key users of that foundational data to begin with?

MR WILKINS: Clearly, I think the insurance industry and hence the consumers that we protect would see some benefit from that, but it goes much broader than that. I think you would find local government benefitting from it in terms of building and building decisions. I think it can also be extended to look at the building approvals that are given in terms of the quality of dwellings or the quality of other buildings that are built, because what is necessary in far north Queensland is very different to what is necessary in, say, Victoria. I think that there would be very broad community benefit coming from it, not just the insurance industry, and clearly I am part of that industry, but I - - -

MS CHESTER: You might have to repeat that. Just let us know when you are ready. Thanks.

ADJOURNED [9.35 am]

RESUMED [9.37 am]

MS CHESTER: I'm sorry, I think you were halfway through an answer there?

MR WILKINS: Yes, I'd agree with that. I think the question was who would benefit from this.

MS CHESTER: Yes.

MR WILKINS: Clearly, I think consumers would benefit through an understanding of the risk that they have, but also that would flow to insurers and our assessment of risk for the community, because insurance and insurance premium is purely a risk signal. I believe though that there be further benefits to Local government in terms of understanding some of the perils that it really did face in things such as making building approvals, as

well as to the building industry in terms of the perils that might be inherent in any particular region, given that the cyclone risk that we face as a nation is to our North rather than to the South, so the type of construction and the materials of construction would be very, very different.

5

I think that by having access to this information, there are a number of individuals and communities that would benefit from this. And it would also actually, I believe, help individuals to make conscious decisions about where they are building, understanding some of the risks and perils that they faced in terms of that building.

10

MR COPPEL: You make the important point that there are different users of this data and some of those users may not just be solely for the purposes of being better prepared for natural disaster or managing natural disaster risks, there may be other applications of that data which could then create some form of tension in terms of the design or the content of such a framework. Do you have any ideas on how those sorts of things could be reconciled or reckoned with?

15

MR WILKINS: I think you've got to start with what is the purpose that you are actually trying to achieve, and I think that we are talking about creating a safer and more resilient series of communities across Australia, which is where it starts. I think we always need to recognise that there are going to be sectoral interests, but I go back to Robert's comments around how I believe that the business community is prepared to put some of those sectoral interests aside in terms of looking at how we do get safer and more resilient communities.

20

25

It would be a matter of a discussion around the trade-offs that needed to be made, but I think if you are explicit about those trade-offs then the community at least will make its own well-informed decisions about the trade-offs that have been present rather than at the moment where you're trying to get the - you get the outcome without actually knowing necessarily what the issues are that have gone into those inputs and recognising that commercial imperatives sometimes actually over weigh those, although, as I've said, I believe that the business community is getting better at working together to recognise the long-term benefit of this rather than any short-term profit imperatives.

30

35

MS BATCH: Sorry, if I could just make one other point in relation to that. I mean if you look at the National Mapping platform currently, that is intended to be used across multiple different industries and government, and yet every single layer of data that is currently embedded in that platform would be used by the natural perils - to deliver natural perils research.

40

45

Where we have called our foundational data, that's because it's foundational to every kind of research that can be derived, irrespective of the

industry that it needs to be used in.

5 **MR COPPEL:** But just one final question on something slightly different although it gets a similar point. We are proposing a 200 million mitigation fund which is matched dollar for dollar by States and territories, and we envisage that this be a State jurisdictional level, and you favour the idea of a mitigation fund but see it being more at a national level. Can you say a little bit more about then the allocation of that to different jurisdictions and how that would be determined?

10 **MR WILKINS:** I think it needs to be determined based on - if we are talking about the national allocation I think it needs to be based on need and on exposure. That way, by having the data available and understanding the exposures that come with it I think we can get a very targeted outcome to this, removing some of the potential political use of those funds because there is a fact base around how it is allocated.

20 Robert has commented on the need for local government, State government and the federal government to actually get their act together in terms of how they are going to do this so it would require an agreement across all of those. But I think if we can hone in on the areas that are at greatest risk we can actually derive the maximum benefit from the investment of these funds.

25 **MS CHESTER:** It's interesting because when we - there is two ways of approaching, firstly, I guess, the allocation of the funds and then there is the issue of making the decision making underpinning individual projects that would be supported. You could do it on a per capita basis or you could try to do it on a risk graded basis, and if we look at the insurance loss data which is probably the only decent data we've got, to look across Australia, the insurance loss data isn't too different from doing it on a per capita basis, strangely enough, more than a few percentage points difference for Queensland, but, apart from that, if you're looking at allocating it, that would about get you there.

35 It's then how do you make the decisions on then allocating those funds to individual projects where you sort of want to - as you have rightly said, target the risk hot spots, but also get that local knowledge on where mitigation is going to effectively reduce natural disaster risk, going forward. And we're trying to work out how you could do that at a national level versus doing it at a State level, working with local government.

40 **MR WILKINS:** I think some of the investment principles that are in the Infrastructure Australia arrangements are actually making some guide in terms of how this is looked at, because I think that what we would not want to see is the political use of these funds, and there is a risk of that. We believe that if we can actually have a set of principles that applies to how

you're going to look at deploying the funds you will get them sent to those areas of major need.

5 Because we need to think also around - I understand the issue on a per capita basis, that kind of stands to reason, but the reality is that the perils presented by things such as flood and cyclone is much greater than the perils presented by bush fire, with the exception of course of the exposure to individuals and the potential for loss of life which is just inherent across all of them and we need to - have to take that into account as well.

10 **MR TICKNER:** If I could just sort of add to that. I think that, you know, if you could imagine a great whiteboard behind you right now and think what will the future of Australian Federalism be like, you know, who could confidently pick up the pen and draw the picture, because so much is up in the air at the moment. But the important thing is, as far as I'm concerned, whatever the shape of that picture, there is some non-negotiables, you know. I don't think anyone can seriously suggest that we want to go back to the horse and buggy country that we had in 1901, you know.

20 In almost every area of business, the not-for-profit sector of Australians, you know, in their everyday life, we increasingly need to have a coordinated national approach to so many things, one way or the other, and that is the essential point I think.

25 Here, the core of your recommendation is about shifting public resources in investment, not just to simply deal with the aftermath of a tragic loss of life or the devastation of whole communities, you have actually taken this important point of principle that we front-end this and we look to see how we can invest resources in infrastructure so as to minimise the impact of a disaster. I mean that is an extraordinarily powerful contribution.

30 When you're looking at a national approach to this, if you do have rigor in the guidelines, or they'd be more than guidelines, rigor in the mandatory requirements for the expenditure of the fund, I am sure that there are very clear things, criteria, demonstrable evidence-based criteria that you can set up for the application of the funds. And personally, at the end of the day, to me, it doesn't ultimately matter if it's a public servant in Canberra or someone in the States, you know, ultimately we want to be able to administer this scheme on a consistent national basis.

40 But the crunch point is we want to get the States and territories signed up for this important principle, you know. Minister Keenan has said some very encouraging things from the national perspective, we've got to get this whole country on the same agenda otherwise this bird will not fly.

45 If I could just add one other brief comment. Look, I want to just commend the Commission for its recognition that community engagement

and education is very important to building resilience. And keeping my roundtable hat on, I think it's fair to say that, you know, we think that this could be a little bit underdone in the sense of it needs to have some kind of meat on the bones about what it means in practice.

5

Because after a disaster I don't think anyone can deny that - whether it's the Blue Mountains or a bushfire in, you know - that devastated Victoria on that Black Saturday or, you know, floods or cyclones in Queensland, after the event the kinds of values that are dominant in the community are essentially people values, those feelings of solidarity, of community engagement, of community rebuilding, and we see it everywhere in this country, you know, it's an absolutely beautiful and inspirational thing.

10

What we need to do though is to also - if I can use that expression again, to front-end some of those important things in disaster preparedness because all the evidence again shows, with the work of Red Cross and Red Crescent around the world, that it is not just about infrastructure, as important as that is, it's also about community education, community awareness.

15

We in Red Cross have in the order of 60 people funded through donor dollars pretty much working on that all the time. But, you know, we are on kind of a rather inadequate and leaky occasional drip feed for the kind of resources that we get from governments for this important work. So, that's a further point, if I can emphasise.

20

25

But to conclude, from my perspective, you know, this is a real circuit breaker of a report and I hope this country gets behind it with some concrete shifting of the way that we manage our disasters.

30

MS CHESTER: Thanks, Robert. I am sure we will hear more from your Red Cross colleagues in Melbourne tomorrow. I think that covers all the questions that we had. So thank you very much and, again, to the Business Roundtable which is a unique coalition, acting very proactively in this space, so thank you for attending today.

35

MR TICKNER: Thanks very much.

MS CHESTER: I think Julie might be staying at the table. We are now going to move on and I would like to invite Insurance Australia Group who are our next participants in the hearing. Good morning and welcome.

40

MR CORNISH: Good morning.

MS CHESTER: Again, if I could just ask each of you to state your name and the organisation you are representing, just for the transcript records, and then if you would like to make some opening remarks.

45

MR CORNISH: Thank you. My name is Andy Cornish. I am the Chief Executive Officer of the Personal Insurance Business of IAG, representing IAG today.

5 **MR WILLIAMS:** Hello, I am Reece Williams. I am the National Personal Insurance Manager for Insurance Australia Group in our Business Partners area. I am representing Insurance Australia Group today.

10 **MS BATCH:** My name is Julie Batch. I am the Chief Analytics Officer at IAG.

MS CHESTER: Thank you. Would you like to make some opening remarks?

15 **MR CORNISH:** Thank you very much. We would like to thank you as well for the opportunity to appear before commissioners of the Productivity Commission Inquiry into Natural Disaster Funding Arrangements and comment on the draft report. We congratulate the Commission on the draft report. We think it's a marvellous start. As Australia's largest general
20 insurer, we are delighted that recommendations in the report outline a national approach to more effectively protecting our communities. We particularly note the commission's recognition of the need for more spending on mitigation as opposed to post-disaster recovery and reconstruction.

25 There are three main issues we would like to highlight with regards to the draft report. The first one is that IAG shares the Australian Business Roundtable view that a national open source platform should be developed by the government to provide the community with consistent and accurate risk information. This is because we believe many of the challenges around
30 managing risk are linked to the availability of data. From an insurer's perspective, such a database would enable us to price risk more accurately, provide better guidance to our customers about their individual risks and enhance our ability to work with governments to quantify the cost benefits of mitigation.

35 Secondly, we believe more needs to be done to inform people of their risks long before they receive their insurance premium. This is an issue that extends beyond immediate concerns of insurance prices. It's about the measures that need to be taken to protect the economic and social fabric of
40 our communities. And, thirdly, we believe more emphasis should be given to using a comprehensive multi-tiered approach to building disaster resilience. In particular, the role of building codes should not be underestimated in managing residual risks and where development in high risk areas cannot be avoided or reversed.

45 We are grateful for the opportunity to come before the Commission and are available to you for any questions you may have on the issues raised.

Thank you very much.

5 **MS CHESTER:** Thank you. We might focus a little more just on the content of the two submissions that you have made, and I do thank you for those. One issue that is identified in your submission is about impediments to individual mitigation strategies, and quite often this can be even adapted mitigation strategies around the family home, leading to lower insurance premiums. It's an issue that has come up across many of our submissions where individuals could take a mitigation action, whether it's cyclone-proofing the roof, and that doesn't flow through to their insurance premiums. 10 I am wondering if you could just talk us through what are those impediments and how we can best address them.

15 **MR WILLIAMS:** Yes. Individual actions taken by our customers is probably the most difficult thing for us to interpret but ultimately we will recognise those. We have seen examples, particularly in myself, I went to the Central Highlands Council meeting in Emerald where customers had actually gone to the trouble of actually raising their own home, and we can recognise that and actually lower the premium because, for us, in respect of the flood, 20 because Emerald is a town that floods regularly, as soon as you raise the floor level, naturally enough you lower that risk, and we can put that into our pricing.

25 So we can take into consideration the individual characteristics of our customers. We have to engage with them and talk with them. We did some work with the councils in New South Wales and we learnt from that engagement period that the councils were registering the floor height. We were unaware of that. And as soon as we get greater information about floor height, we are able to bring that into our calculation of our flood premiums and respond to that appropriately. Currently, we are assuming a floor height. 30 As soon as we get more accurate and transparent information we are able to bring that into our calculation of premiums, so we are able to respond to that.

35 **MS CHESTER:** So it's more an issue of information asymmetry between the householder or the local council and insurers at the moment where that is where the main impediments are occurring.

MR WILLIAMS: Absolutely.

40 **MS CHESTER:** People did raise issues though about the response of reinsurers to adaptive mitigation and allowing that to flow through to premiums. Has that been an issue for IAG?

45 **MS BATCH:** I think at a very granular level it's more challenging for a reinsurer to be able to respond to an individual household. Reinsurers respond across the broad swath of risk, so where they see substantive improvement or betterment in relation to building codes, where they see more

granular data around building materials and so on, all of the reinsurers models are able to incorporate that information into their models. The challenge in today's market is that we have gone through the last two years following the disasters of 2011, significant re-pricing from a reinsurance perspective, and that is now stabilising. We can demonstrate historically where we have improved the data, the quality of our data to the reinsurance market, substantive changes in the reinsurance prices.

MS CHESTER: So you don't see that being an impediment today. You think the reinsurers have evolved such that adaptive mitigation by householders won't penalise an insurer by the actions of a reinsure above.

MS BATCH: That is correct, that is our view. So reinsurers do take granular policy by policy data into their models. At a single level, so to your example, around someone cyclone-proofing a roof, you are not going to get a significant impact to the reinsurance price, but consistently across the portfolio, over time, you would see those benefits flow through.

MR COPPEL: Can I just take it back to the interface between the customer and the insurer. Is it possible for a policy holder, before undertaking mitigation, to say, "Well, we are planning on doing this to our roof, can you give an idea of what that would mean were we to follow through, in terms of the annual premium", at that level?

MR WILLIAMS: It's challenging to do that. I am not aware of anybody ever asking that question. We introduced flood cover, for instance, in 2012 and we took a position on flood pricing across every address in the country, but we said to our customers, "If you know something that we don't, please talk to us", and we put together a specific team that could respond and allow the customer to articulate something unique about their property.

Sometimes it might be where it was positioned on the property, and then we are able to listen to that and see whether we could adjust our premium position. It is labour intensive but we knew that we were doing something new and that we knew we were engaging customers at a completely different level. We gave them an opportunity to articulate that story to us.

MR COPPEL: One of the issues that has been raised in someone's submissions is that it's a bit of a chicken and egg, that it would be a willingness to engage in mitigation but there is always a risk that that may not have a payoff in terms of a lower premium, and that could be acting as an obstacle that is deferring or reducing the amount of individual mitigation effort. Are there ways in which that matching of information could be improved in such a way that there would be a clearer payoff, so to speak.

MR WILLIAMS: The transparency of information is critical. When we have seen councils have greater appetite to inform us about what has been

done, and we have seen the flood mitigation works that have been done in three towns in Queensland. I will quote some numbers here and I will refer to my notes, if you don't mine. In St George they spent \$6 million building a levee. We saw that 900 homes, or 30 per cent of the homes in that town, as a result we reduced their flood premium. In fact, we reduced the premiums for 50 homes that were flooded in 2010 to zero, because of the influence of the levee on that town. And ultimately we saw significant reductions of up to 90 per cent for flood premiums in St George where the homes are protected by the levee.

I have got other examples of Roma and also Charleville where the investment has been made, where we have moved premiums and lowered premiums. How did we do that? We did that because the work was done, but ultimately the council were very transparent with us on what they actually had done so we could interpret that and adjust our premiums accordingly.

MR CORNISH: If I may, just to add to that. I think it's quite important to recognise that the amount of work an individual group can do within their own individual property to mitigate a natural disaster risk can be somewhat limited. So Reece is talking about some of the micro-perspectives from a town example. The same thing would be true in relation to the more catastrophic effects associated, say, with the Warragamba Dam. If the raising of the height of the Warragamba Dam was at an ineffective level, the amount of reduction in premiums for those areas affected by the flood plain would be limited. The same thing is true in relation to protecting people's own homes.

If they can raise the elevation of the floor, then we can make some indications as to what the premium reduction may be, but beyond that it's terribly difficult because we have to be absolutely clear and certain of the mitigation that is taken is effective and that is very difficult to manage in a pre-event rather than measurement post to see whether there has been an effective mitigation.

MS CHESTER: In terms of the pre-event, we appreciate what you are saying, that it is easier to do when it is a collective form of mitigation and some sort of hard numbers and analysis can work around that and we cite in the reports some very good examples of where insurers have worked with local government to identify what would be the premium flow-through benefits of particular larger and hard mitigation like flood levees. Are there any impediments today?

We have a raft of recommendations in our draft report about insurers working more with local government to identify mitigation activities that would result in lower premiums for householders and we are thinking of it from the perspective of if there are lower premiums for householders, there is potential for local government to use that as a source of the funding. Are there any impediments to insurers continuing down that path along the lines

of what we are recommending in our draft report, or is that something that IAG thinks is – you are happy to embrace and follow through allow those lines?

5 **MR CORNISH:** One of the elements, which may be a bit more indirect, is certainly the taxation that applies to household insurance premiums at the moment. If one thinks of emergency services' levy in this State and stamp
10 duty and so on, what we can see of course is that there are potential impediments associated, people being able to afford the premiums that they have to pay because of the indirect taxation that is levied. And what we have
15 seen in States where those areas have been removed in WA and also in Victoria, there is evidence to suggest that sums insured have increased when there has been situations such as a tax and emergency service levy or proxies removed.

20 So that is one indirect benefit. Certainly, we would love to be working more in partnership with government at every level to talk about all sorts of activities that could be done to improve resilience of communities. Whether it be in relation to building codes; whether it be in relation to the different
25 types of roofing and other materials that might assist individuals and communities. We have done extensive research in relation to resilience of buildings, for example, in relation to tiles on roofs and hailstone damage. We would love to be able to work with communities and governments to help support that.

30 **MS CHESTER:** Working with is great but I guess from the perspective of looking to finance some of these mitigation activities, it's effectively insurers being able to provide an undertaking about what would be the likely flow-through impact on premiums, so a local government can then say to the householder, "You are going to directly benefit from this flood levy. We are
35 going to increase your rates but you're not out of pocket because you are going to get lower premiums charged by the insurers". Are there any impediments to insurers providing that sort of upfront undertaking as a funding mechanism?

40 **MS BATCH:** I think we come to my favourite topic which is the quality of the data and information through which we can make those decisions. If we use flood as an example, the flood maps and the flood information wasn't available until post-2011 broadly, and it has only been when local
45 governments, State governments, incentivised and pushed by the Federal government, and the media has actually opened up that information to us, that we have been able to offer and release that as a product. So I think there is a piece around needing to have the right data and information to be able to build our models from so that we can build layers of mitigation into those models and work out the predictive nature of what the premiums will be.

When we have that – we already work closely with the community, we

would be able then to work with community and local governments to help them understand better what the change in risk exposure would be and therefore price.

5 **MS CHESTER:** So if the insurer can get their head around the data and do the analysis, an upfront undertaking could be given to local government on a reduction of premiums if the particular mitigation was invested in.

10 **MR WILLIAMS:** I think that would be true, provided that it's at the level and the standard that we require for our modelling. So if it's at that level we would be able to provide a forecast of that, an indicative forecast, would probably the best we could do. We are eager to be competitive in the market, so we don't want to be uncompetitive, so it's in our interest if the risk is lowered that we actually improve our understanding of that to ensure that we
15 are delivering the premium into the market.

MR COPPEL: In our reform proposal for the NDRRA, we are moving away from a reinforcement model so that jurisdictions have the autonomy to use the recovery funds in a way that they see the best allocation of those
20 resources, and a central aspect of being able to do that and ensure that there is still value for money is to introduce an assessment based on the benchmark costs of rebuilding assets, which is a big departure from the current practice and also involves a number of shifting of risks associated with that.

25 One of the key issues is how feasible is it to provide an assessed value of damage post a natural disaster quickly. Speed is important. We have been encouraged by some of our discussions with the insurance industry that following a natural disaster, from the perspective of their claims, are able to come quite quickly with an estimate of what the damage bill will be. I am
30 wondering whether you have any views on whether that is also feasible from a perspective of public assets.

MS BATCH: Perhaps to touch on insured assets first and then public assets second. From the insured perspective, within hours of a disaster occurring
35 we have run a simulation model to estimate what our damage is, what damage to the building is, what the sums insured are and therefore what total potential of our claims are. We find for the vast majority of events, our damage estimation model is fairly reliable. It's a regulative requirement that we are able to estimate our losses. We have invested a considerable amount
40 of internal resource to be able to do that.

The only time where that is challenged is where there is no sum insured to the policy, where there is no ability to quantify the longer term impacts of
45 tail(?) liabilities, for example, the New Zealand earthquakes, because it becomes more of an open policy and an unlimited policy. So where there is a capped and understood sum insured, we can rapidly determine what we think losses will be.

5 **MR COPPEL:** Given the bulk of the assets that are destroyed following a flood are roads, and roads are one of the assets with the exception of Victoria and the ACT for main roads are not insured. Does that then call into question that capacity to get a quick estimate of the cost of rebuilding roads?

10 **MS BATCH:** It's absolutely more challenging to be able to estimate the impact to infrastructure, and if I answer that question from the perspective that we are largely a personal lines and domestic insurer, we do have some government insurance in terms of roads, bridges and infrastructure, but it's much more challenging to estimate the recovery amounts from an infrastructure perspective. I do think it's not impossible, however, we would need the right information and data to be able to model that.

15 **MS CHESTER:** What would be really helpful for us to know, and you may not be able to answer it today, and we would be happy to get it from you after the public hearings, would be where you do cover central public assets with your insurance, when an event like this occurs, how quickly thereafter, based on the information you have on those assets and effectively their replacement cost and your exposure, can you come up with an idea of IAG's damages exposure bill?

20
25 It would just be good for us to get a little bit of an idea on what the timeframe is for an insurer, and we do appreciate that it's all about the inputs and we have a large number of recommendations around what would be required of State governments and local governments to have more detailed information to inform benchmark costs. It would be good to know what are the standards for the insurance industry based on exposure you have like assets.

30 **MS BATCH:** We will take that on notice and come back to you.

MS CHESTER: That would be great.

35 **MS BATCH:** I will just highlight in response to the question though that often it's a longer duration but then the quality of the estimate can be better because it's based on engineering reports and assessments which allows us a different level of information.

40 **MS CHESTER:** The two things that would be great for us to know is, one, the timeframe and then, secondly, what has been the magnitude of the error around that initial estimate versus what it ultimately is. Is it material or not, Julie, that would be really helpful to know. If we just bring it back to householders for a moment, one of the issues that has really come up across a number of submissions, particularly those related to bushfire events, has been like an information asymmetry between the sum insured for the family home and then what ultimately was the replacement cost.

5 You'll know in our draft report we've identified some potential actions by insurers to help householders better understand what's the gap, not for their exact family home to be completely replicated, but for a rebuild of a similar residence in that location, that the gap between the sum insured and the rebuild cost.

10 Be good to get your feedback on what role insurers can play in addressing that information asymmetry, given that it seems to be underpinning a lot of the under-insurance in the natural disaster space, based on the evidence we've received today.

15 **MR CORNISH:** I think that there's many reasons that the under-insurance element exists, and you may be right in relation to some of the assumptions. But there does seem to be a high level of self-insurance and under-insurance in this country. Excesses, increasing excesses, people not believing that the risk will actually entirely damage their property, people deciding that they wish to assess some of the risk themselves and insuring part of the property. So it's a complex question, of which there are many dimensions.

20 To the specific point though around sums insured for those people that really do want to understand the replacement value for their property, then Insurance Australia Group, amongst a number of other insurers, provide sums insured calculators, which we encourage our consumers to actually use.

25 It's somewhat problematical where building codes change of course, which you may be alluding to in relation to, say, the Blue Mountains, for example, where it may be that the code requires a wooden construction property to be rebuilt as brick. It's difficult for us to help consumers in a situation where we don't have access - again, to Julie's favourite topic - around data and/or information associated with building code requirements in relation to those particular areas. So we need to encourage consumers to be able to understand what are the requirements in relation to the rebuilding of their property should that eventuate.

35 We can help them with our sum insured calculator for the particular standards of construction or the different construction types that are required at that point in time. The best, I think, evidence that we can give is in relation to our sums insured calculators, where we do our level best to try to assist consumers to understand their rebuilding.

40 **MR WILLIAMS:** If I can add to that. We've also added additional questions into those calculators about is the customer in a bushfire area, how far aware they are from the bush, to actually improve the accuracy of those in those regions. So we've been proactive to add an extra layer of questions, to give the customer a better opportunity to understand those costs that are now a little bit more transparent in the market.

5 **MS CHESTER:** So because insurers have moved away from replacement value insurance products to sum insured, there's no requirement for you to be on top of the changes to those building codes. I'm just trying to think from the perspective of householders - - -

10 **MS BATCH:** Can I just slightly amend that question? So from an IAG perspective in Australia, we have never issued replacement cost policies. We believe that that potentially encourages under-insurance and for people not to have to understand the value of their building when it comes to being rebuilt. If we look at New Zealand, the New Zealand experience where we have offered replacement cost in the market, our ability to estimate those losses is significantly challenged, as it is across the entire industry. It's actually the reinsurance market who has withdrawn, for the most part, its desire to offer replacement cost policies. So we've removed replacement cost there.

20 As you would know from your research, that's consistent with almost every other jurisdiction across the globe, post event. I think that what we do, and it's very important for us that our insureds properly understand the value of their business and that they are insuring for the right amount, both from a premium and a reputation point of view, and in the fact that we care about our policy holders. So we take every step to ensure that the building cost calculators are as accurate as they can be, based on the information that we have available.

25 **MS CHESTER:** Yes. I think we're probably wanting to go a step further in terms of realising householder apathy and myopia and "It's not going to happen to us" to thinking what's a better avenue to get that information out to householders on a regular basis, as opposed to requiring them to jump onto the website and use the calculator. If you have the basic information around the house, whether or not some estimate could be on their annual insurance Statements, to give them a bit of an idea of - - -

35 **MS BATCH:** Sure. I think that one more response from my point of view would be that the insurance industry is not the only place that's able to provide those signals. So through rating notices - we should use every opportunity across multiple sectors to provide the community with a better understanding of what their assets are worth.

40 It's interesting with a car, everybody knows exactly how much their car is worth, how much it cost them to tint their windows or change their tyres, and yet, the asset where most people's wealth is tied up, people have the least amount of understanding. So I think we do what we can, there's plenty of opportunities for local governments to do what they can, the financial sector and other building companies and organisations across the spectrum.

45 **MR CORNISH:** We do agree that we would wish customers to insure for

the right sum and that we can indemnify them in the right way under the terms of the policy. Apathy is a very difficult thing to overcome. We do our level best to educate and provide as much information as we possibly can, but I think we totally support what Julie's saying, is that there's an individual
5 accountability on the part of the homeowner themselves to understand their risk, as well as us providing them with as much assistance as we possibly can. Sounds a bit like my homework conversation with my son.

10 **MS CHESTER:** Thank you very much.

I'd like to welcome the Insurance Council of Australia to join us. Good morning and welcome.

15 **MR SULLIVAN:** Good morning.

MS CHESTER: If I could just ask you to state your name and organisation you're representing this morning, for the transcript record.

20 **MR SULLIVAN:** Good morning. Karl Sullivan, General Manager of Risk at Insurance Council of Australia.

MR SANCHEZ: Alex Sanchez, the GM of Economics and Taxation at the ICA. Thank you.

25 **MS CHESTER:** Thank you very much for the submissions you've made and the meetings that we've had with you, and your involvement in the roundtables, it's been very much appreciated. Would you like to make some opening remarks before we kick off with some questions?

30 **MR SULLIVAN:** Thank you. Very briefly, first of all, again, to welcome the opportunity to make some comments today, and in a general sense, welcome the draft findings from the Commission so far, they have been quite helpful, particularly in driving some of the debate around some of the finer
35 points. I think, in summary, we have put in the submissions some suggestions to tweak some of the draft recommendations. In general, we recognise that this is a tectonic shift, should these recommendations be taken up by government, to rebalancing the relationship between funding for recovery and funding for disaster prevention, and we strongly welcome that.

40 General insurance does have a very strong role to play in all of that, but we play at the end of pricing the residual risk, sending that insurance price signal, and to that end, we again welcome the findings and suggestions in the draft recommendations that say that that price signal should be left undiluted and should be harnessed wherever possible.

45 **MS CHESTER:** Thank you very much. I think you were here a little bit earlier this morning where we were talking to the Australian Business

5 Roundtable about the proposal for a national information database portal. It would be good to get your thoughts on the relative merit of such a platform, but also drawing on the insights that the Insurance Council would uniquely have, and in particular I'm thinking here the initiatives that you've had around flood mapping data versus what's happened with Geosciences Australia.

10 **MR SULLIVAN:** Well, look, I think it's fair to say that that's the strongest point we have in the paper there, about the need for a national platform, or some kind of national agreement to coordinate this data. So while the ICA on behalf of its members have made some considerable inroads into collecting and collating this data and making it available to the insurance industry, it's very much seen as an interim measure, before something more fundamental and sustainable can be done by government. It is a government responsibility, and I believe that once that is initiated, the costs are almost becoming calculable.

20 It's always difficult to up front say, who would be making benefit of that sort of data should it be in a national portal and what would be the dollar cost realised or the dollar saving realised out of that. But I think it goes well beyond the insurance industry. There's the transport industry, mining, agricultural, the local government sector, anybody and everybody who can access and see that foundation data, and then the hazard data on top of that, will be able to turn it to the community's advantage.

25 **MS CHESTER:** I guess when I was talking about your insights from what we've seen with the flood mapping, where it's been done by the Insurance Council versus where it's been done by a Commonwealth agency, that the relative merits there. What are your impressions about what's worked, what hasn't worked?

30 **MR SULLIVAN:** I think probably what's made our approach a little bit more successful is the insurance price signal. So when we've dealt with a local government, seeking to access their flood mapping on behalf of the insurance industry, we often have a very strong insurance and negative insurance price signal behind us that is motivating to the local government.

40 I think that does underscore the value that insurance price signalling can continue to deliver there, and I think it would not be difficult to replicate that or incorporate that into a national platform. So that if one of the stakeholders accessing nationally-consistent data is the insurance sector, I think from that you start to be able to unravel a range of solutions around how consistent insurance price signalling can be used to encourage access to the data, but also value the mitigation and other aspects.

45 **MS CHESTER:** What would you see the insurance industry contributing to this platform in terms of data and insights and information?

5 **MR SULLIVAN:** At the moment, all of our data that we use is government data that we've leveraged, but there is scope in a mature system to provide claims feedback data, not tied to an individual, but averaged losses, damage curves, things like that. But you can't even start to get there until you've got a consistent national data set for those foundation pieces, like digital terrain models, geocoded addresses, et cetera.

10 **MS CHESTER:** The other area that we identified - setting aside the platform for a moment - for insurers, was working with particularly local government and State government, in terms of sharing hazard information and understanding of where the risks reside, and that being used then to inform State government better land use planning or mitigation activities. Are there any impediments to those recommendations that we've made in the report for insurers playing that role and sharing that information with State and local government?

20 **MR SULLIVAN:** There's a couple of threshold issues that are at play there, and first of all is that the insurers themselves spend a lot of money, time, effort and resources in improving upon those hazard data sets to make the best commercial use of them in delivering a product. So it becomes difficult to then say how those data sets might be used publicly. So we need to come back to a consensus view of the hazard risks in a location in order to inform mitigation and things like that, so there is a commercial issue on one side.

25 On the other side it's really an issue of resources for government, about how they're going to do it. And I think the final issue is making that data publicly available. That is something that with all of the local governments that we've consistently worked with now, there remains a lack of appetite to make that publicly available in any other way other than through their own resources and in their own controlled way.

35 I think a national platform, or at the very least State-based platforms that all adhere to the same set of principles, gets you over that hurdle, gets you over the sensitivity that a local government might have about some of the legacy decisions they've made.

40 **MS CHESTER:** So you see there might be advantages and disadvantages of having commonwealth versus State as the level for collating the information, given the position of local government?

45 **MR SULLIVAN:** Look, I think the States, several of them in particular, have made quite large in-roads into providing this data through State portals, and there's more stuff coming on line before the end of this year. And that will assist local governments in disclosing some of that data, under the mantle of the State government. I think the problem it presents nationally though is that it's done in a very inconsistent way in between the States. And I think it is one of those classic issues that calls out for a national agreement,

or even better, a national platform, like the open data initiative.

5 **MR COPPEL:** Why is inconsistency such a problem? I can recognise that natural disasters will cross jurisdictions at a local government level, and maybe even at a State level, but is it such a significant issue that it merits prioritisation?

10 **MR SULLIVAN:** Absolutely. If I can give some tactical examples. In any single jurisdiction, say the Tweed Heads or Bundaberg or anywhere else where you might find you've got multiple flood studies at lay, some of those studies might be 30 years old, some might only be 5 years old. And where you interface you can find differences of metres in the flood surface. It almost makes a nonsense out of any scientific approach then to go and price the residual risk around that, or plan for mitigation and do other things.

15 If we take that out one level, at the State level, you then find a huge variance in the way that hazard mapping is done from local government to local government. So again, the State in order to make those prioritisation decisions, has a green need for consistency among all of that mapping. And I think, again, you can roll up to the national level and how that might be distributed.

20 **MS CHESTER:** Karl, is it more an issue around having guidelines so people know what's required for that information, that data, that flood mapping to be relied upon? So if we had consistency in terms of guidelines, so people would have confidence - - -

30 **ADJOURNED** [10.25 am]

RESUMED [10.29 am]

35 **MS CHESTER:** We will resume the hearings. And I think, Karl, you were halfway through?

40 **MR SULLIVAN:** Yes. If I recall correctly where we are, I think how does a national platform assist getting over some of those hurdles around collation of the data and how do national guidelines assist with that. There are consistently robust national guidelines, particularly for flood mapping either in operation or being amended and agreed to between the States. Unfortunately, I don't think that gets us there as a nation, there's an issue around disclosure and consistent disclosure of that data.

45 One of the things that the ICA has benefited greatly through its data portal is being able to show a council the absence of their data, where their

colleagues may have given it in other jurisdictions. I think it's a huge motivation for people to start filling in the gaps when they can see that there is actually a home, there is actually a space where this stuff will go and people will be able to consistently access it. So consistent guidelines are one part of the solution, I think people only pick up those guidelines and start rolling up the shirt sleeves and doing the work when they can see that there is a portal where this stuff will go and its absence will be strongly noted.

MS CHESTER: I guess you could argue that all of that was in place for the Geoscience's flood data portal but we didn't get there in terms of the sort of the model that is being envisaged here by the insurance industry. What levers does the Commonwealth government have to make that different going forward? You talked about, you guys got the pointy end with premiums, the Commonwealth government doesn't have that so we're just trying to get our head around, really, who is going to be able to pull together this information.

MR SULLIVAN: Yes. Again, if it comes down to flood data for example, the Commonwealth does have some very strong levers in terms of funding for local governments through grants to produce this data. And anywhere where public money is spent to produce hazard data, it should become public information, you know, save for cases where there is a security concern around it. So, I think the Commonwealth government does have levers, perhaps levers they haven't pulled on before, but as I understand it, they're strongly considering how that could be done

When this was discussed back in 2011, post the Queensland floods, the industry strongly recommended that an instrument be amended to give the Commonwealth some powers around this, and that was the Water Act at the time, but of course there were other reasons where the government of the day may have not have wanted - have brought the Water Act back into Parliament to seek making those amendments.

I think the Commonwealth can play a very strong role in co-ordinating this and providing a capacity for the States to deliver data into. There is a range of reasons why the Geoscience Australia portal has perhaps struggled to deliver against that, but it does come down to a political intent or political courage to implement a regiment, perhaps through a Commonwealth Act or through a COAG agreement to make sure that the States do deliver this information.

MS CHESTER: So, okay, we won't - - -

MR COPPEL: Can I come back to the issue that we took up with a previous participant in relation to the role that insurance can provide to individuals in terms of raising awareness of the risks that they face. And I noted in your submission on the draft report in relation to providing information, for example, on building costs, you said there are some barriers to getting

personally tailored advice. Could you elaborate on the nature of those barriers?

5 **MR SULLIVAN:** I think they come in two ways. First of all in a regulatory sense, the current advice-giving regime discourages strongly insurers from giving personalised advice, they like to keep it general because that keeps them quite compliant with regulation. And we are working through the FSI process to look at what changes could occur that would free that up, in a more practical sense though.

10

We are often very unaware when a local government has rezoned a piece of land to raise its hazard profile. The Blue Mountains is a good example of this. We were unaware in those cases, as probably quite a few residents were unaware, that their particular land parcel had been rezoned as bushfire hazard exposed, which then triggers a range of requirements around rebuilding which could add significant dollars.

15

I think the solutions to that come back to, again, a national or a consistent portal where a land zoning is changed, that it is reflected in a single spot in a consistent way so that all stakeholders involved in assessing the risks of that location can then take the appropriate actions. It shouldn't be the insurers task to inform a property owner that they have a flood risk or a fire risk or any other type of risk.

20

In fact I think there will be some research announced today by ASIC that goes into the economic behaviour of people when they make these decisions and what would happen if the insurer was telling you that you had an extreme risk, and I think most consumers would start to take a dim view of that in that it's a selling technique almost.

25

30

Insurers can't be the ones delivering hazard information to the property owner, they're delivering a price signal, but we do acknowledge the need for a close alignment between the price signal and what the official view is of the hazards in those locations. And, again, I think that comes back to a national portal so that we can start to achieve that alignment. Insurers can give complementary messaging around hazards at a particular location but they should be the ones responsible for delivering the message and the only ones doing so.

35

40 **MS CHESTER:** How do we connect the dots in terms of the insurers who very well face the incentives to really understand those natural hazard risks so they can price the policies, the information that the insurer has on the risks that a householder faces, the information that Local government or State government has, and then what the individual themselves know. I understand the point that you are raising and we'll naturally have a look at the new information or analysis that ASIC has done. But the insurers have information, how do we make sure that the consumer understands what that

45

pricing signal means, what is the underlying risk assessment that the insurer has made about their natural hazard exposure?

5 **MR SULLIVAN:** Yes. Look, I think that's clearly a key challenge. And we are looking at how disclosure arrangements might be able to be changed, again, through the FSI process. There are individual insurers who communicate with their consumers when they believe the hazard profile has changed or they have new information, so they may communicate directly with their consumer and say please anticipate a change upwards or
10 downwards in your premium in the upcoming renewal for the following reasons. That often provokes a response from the individual to go and source better information and challenge that finding.

15 Again, these are largely ad hoc arrangements if you look at the industry as a whole, all insurers can't deliver that same result, that is very much for the sophisticated insurers who invest heavily in this space. So, if we come back to the principle of it must be the consumer or the property owner who holds the best information from Local government or State government about their hazards, the insurers can assist with that and I'm sure the industry would
20 welcome approaches to collaborate on developing that data, but it can't be the insurance industry who become the mechanism for actually delivery it.

MS CHESTER: That is because you think it is going to be precluded by ASIC or because insurers don't want to do it?

25 **MR SULLIVAN:** Well, fundamentally, the person who rezones your land as being high hazard needs to be the statute authority for that area, and it also needs to be the person who is responsible for organising mitigation and controlling further developing in the area. If the insurer was the only one
30 delivering that information it could be argued that their motivation is they just want to sell more premium and more policies in the area, so it's in their interests to say that the risks are higher than they might necessarily be. And my experience is that insurers don't do that, they try to get it as accurate as possible in every case.

35 Again, some of the decisions that consumers make are going to be better if the information is coming from the development control authority in the area rather than their insurance company.

40 **MS CHESTER:** Karl, from what you are saying then it's not about - there is no obstacle to the insurers providing the information on their risk assessment of the individual householder, it's just the delivery mechanism?

45 **MR SULLIVAN:** So, if we're talking about the hazard information - - -

MS CHESTER: That the insurers have.

MR SULLIVAN: Yes. Well, not all insurers have the same information, perhaps that's a finer point to take there. They all work in different ways on the baseline or fundamental information that is provided by government, and they will seek to improve upon that through their own processes, so they
5 compete in that space if you like. If they were required to individually release their hazard assessment per customer, there is a commercial sensitivity around doing that.

I think that is where it comes back to getting alignment between the high
10 resolution data that governments and insurers might seek to use in an area with producing low resolution data that is suitable for consumption, and agreement and consensus, at the property level for property owners.

MR SANCHEZ: Commissioner, if I get the gist of the question, I think
15 what you're trying to say is what sort of policy prescriptions are available to policy makers around dealing with any information asymmetry, and I think that is really what you're coming to. The question - we deal with this fairly extensively in our submission to the Financial Systems Inquiry, because ultimately, at the end of the day, this is an issue around disclosure of a
20 financial product, because that's what we offer, at the end of the day. And where the rubber hits the road is the estimation risk, and who bears the estimation risk of getting your sum insured wrong, at the end of the day.

The market has solutions to that. At the moment the market offers buffer
25 products out there, you know, that the sum insured augments in the case of a natural disaster which is essentially designed to take into account post-claims, whether post-claims inflation or post-claims adjustment to building standards and the like. I guess the - and of course the traditional insurance obligation is you do bear some risk yourself, you have to in order
30 to deal with moral hazard in the insurance product, this is a concept of insurable interest, so ultimately everyone will ultimately bear some costs for any loss. The question then becomes, well, what do you need to do beyond that and what is available to policy makers beyond that.

In that sense one has to be careful not to prescribe solutions and impact
35 the overall market. And in particular what I'm thinking there is where you seek to make it an uncapped liability policy, i.e. total replacement, where there is no ultimately estimation problem, well, at least no problem for the consumer. But in the case of the market that disturbs reinsurance
40 arrangements and they get - flow into the overall pool, and ultimately you might end up with poorer sum insured outcomes for the remainder in the pool not in a catastrophe zone.

It is not an easy question to come with. Karl mentioned some of the stuff
45 that we have raised in the FSI around general advice versus specific advice and the regulatory boundaries about that, and there is some sense that that could be improved upon. But the next question is, well, what other

instruments are available to policy makers, you know, beyond, to reduce this estimation risk, and we talk about that extensively in our Financial Systems Inquiry submission.

5 **MS CHESTER:** I just have one other quick question. The mitigation funding - and we did benefit from the insurance loss data that the council has been the caretaker of for many years, what so you see as the best way of allocating the mitigation funding across Australia and who do you think is best placed to make that decision?

10

MR SULLIVAN: Well, look, I think the formula that has been arrived at or the general approach is not too far from wrong. We would suggest though that when it goes below the State level, that it does need to be fairly highly targeted. If we had a time machine and travelled back five years ago and wanted to use insurance price signalling as one of those measures, the data simply would not have been there. So, as you have heard from previous testimony, because the data has increased in its availability and its quality, the insurance price signal has started to become more reflective of local risks.

20 Where does that lead us? I think if 200 million is to be allocated Federally, split across the States in terms of a split around historic disaster losses, that has got some issues that I'll come back to. But then when it comes from the State down to the local government area it really should be predicated around a range of community benefits, one of those now being potential changes to insurance affordability.

25 Just to travel back to the interface between the State and the federal government about the distribution of the \$200 million, we would suggest that it is better to work around modelling rather than historical losses for that, and there is certainly - there is adequate information and adequate modelling capacity in Australia to do that. Would it give you a fundamental difference between doing it on a per capita basis or a historical loss, probably not in terms of, you know, large percentage point changes, but it would give you the capacity to adapt it should we start seeing climate change factors come in to play.

30 **MS CHESTER:** Okay.

40 **MR COPPEL:** Just on a related point. In our draft report we talk about or recommend that governments should provision for natural disaster risk, and it's something in your submission on the draft report that you support. And we have looked at very simple sort of backward looking approach because we are aiming not to - we recognise that it is not possible to be very precise in such provisioning, but it has been also suggested that the use of catastrophe models could be used to give some sort of estimate of the magnitude to provision for. We are wondering how contestable these models are for such a purpose, and are they sufficiently robust to be able to be used

45

for that purpose?

5 **MR SULLIVAN:** Look, I think they are, depending on the asset class that you are particularly talking about. So, I think there is a couple of different approaches that can be taken there. The first one is models are only ever going to be as good as the data that is put into them, which brings us back to the point about a nationally accessible consistent data will always help those catastrophe models become more and more accurate.

10 But I would question it at a threshold level for some of those assets, how accurate do you need to be. There are insurance products that are available where you don't need to tie it down to the bridge and the replacement cost to the bridge or so many kilometres of road. Parametric insurance products provide capacity to do recovery wherever it is required without tying it down to a specific asset. And I think when we start talking about government
15 infrastructure and having recovery capacity around that, those products should increasingly be looked at in Australia, and I understand a few governments are looking closely at them. Thank you.

20 **MS CHESTER:** Great. Well, look, thank you very much for joining us today and also for your involvement in our inquiry and obviously other government inquiries that has the Insurance Council busy as well.

25 **MR SULLIVAN:** Thanks.

MR SANCHEZ: Thank you.

30 **MS CHESTER:** Ladies and gentlemen, we will now adjourn for a slightly briefer morning tea than we were planning. It is 1045 by my watch, if we could be back here promptly at 11 am to resume the hearings, that would be very much appreciated. There is tea and coffee outside. Thank you.

35 **ADJOURNED** [10.46 am]

RESUMED [11.01 am]

40 **MS CHESTER:** We might look at resuming our public hearings, and I'd like to welcome Tom Fitzgerald from the Australian Coastal Society to join us.

45 **MR FITZGERALD:** Thank you.

MS CHESTER: Thanks very much, the society, for the initial submission pre our draft report, and the follow up submission following our draft report,

that's much appreciated, as is your attendance today. Tom, if I could just get you to state your name and organisation, just for the transcript records, and then if you'd like to make some opening remarks before we get into some questions.

5

MR FITZGERALD: My name's Tom Fitzgerald, I'm Secretary-Elect for the Australian Coastal Society, and I'll just move on to the Statement.

MS CHESTER: Thank you.

10

MR FITZGERALD: Good morning, thanks for the opportunity to contribute this morning. Please accept the apologies of Professors Bruce Thom, Nick Harvey, Associate Professor Geoff Westcott and Mr Angus Gordon, who cannot be in attendance today. They are instead at the Coast to Coast Biannual conference in Mandurah, Perth this week, where issues around governments' handling coastal risk issues will no doubt be a hot topic.

15

Overall we generally support the thrust of the draft report, prioritising spending up front as opposed to post disaster, we support the move to increase our resilience and reduce our losses when nature strikes. In reading through the draft report we note with disappointment the Commission's lack of specific recognition of coastal hazards, and the associated risks they pose to society.

20

Coastlines are dynamic and ambulatory by nature, always moving, but in some locations now overlain by a rigid built environment. We would ask you to recognise that there are a number of hazards that can impact on coastal sediments in Australia, on their own or in tandem with other events. These hazards include coastal erosion, long-term shoreline recession, cliff collapse, tidal inundation, storm surges, coincident coastal and river flooding.

25

30

Risks arise where these hazards clash with our built environment and the things we value. There already exists a high concentration of settlements and infrastructure around our coast that are exposed to such hazards under current conditions. This risk profile will only worsen as our population expands and our climate changes. This level of exposure is likely to result in a recurrent escalating financial burden on all spheres of government in Australia unless strong preventative appropriate land use and coastal management planning measures are taken to reduce and address these risks.

35

40

We only have to look back to see what is at stake. Significant storms that occurred on the New South Wales and Queensland coasts in the 1970s now act as a marker. Different to other disasters, there are cases where these hazards have resulted in the permanent loss of land and property to the sea. In 1974 the village of Sheltering Palms in Northern New South Wales was significantly damaged by storms, resulting in the State government funds being used to compensate land owners and the village being abandoned.

45

5 What would happen today? Coastal erosion can result in the loss of significant amounts of land. In the absence of an overall plan, moves to reduce these risks often start with ad hoc attempts to build seawalls, usually threatening the integrity of the beach and often causing problems elsewhere.

10 So attempts to mitigate local coastal hazards can have mixed results, but well planned and appropriate mitigation measure identified by sound coastal management and land use planning strategies can result in significant positive effects for coastal communities. For example, mitigation actions employed on the Gold Coast to nourish its beaches, build its dunes and protect assets now play a critical role in propping up its multi-billion dollar tourist industry.

15 But as the draft report notes, responsibility for disaster risk reduction cannot be devolved to local governments without appropriate support from the State. But even at State level a lack of resources, changing political priorities and a dearth of technical expertise has left us more vulnerable. We would ask the Productivity Commission to consider a role for a permanent federal group devoted to assisting State and local governments with the provision of and communication of appropriate coastal hazard and risk information.

20 We note that a reliance on local governments to identify and assess risk from coastal hazards in the '50s and '60s has left us a legacy of risk. The construction of high density residential towers at Collaroy-Narrabeen provides a striking example. I've got a couple of photos here of some large high density apartments at Collaroy-Narrabeen Beach that are now at risk and require ongoing coastal management, impose heavy maintenance burdens and pose questions of liability to governments of all levels.

25 Finally, we would also like to draw your attention to the special relationship - or lack thereof - between coastal hazards and insurance. For coastal hazards the government would appear to be the insurer of last and only resort. To our knowledge, and you may wish to ask this of other attendees here today, there is no private insurance available to pick up the tab for land loss to the sea. Indeed, there is much confusion about insurance covers from salt water hazards, as opposed to fresh water flooding, giving rise to a potentially significant but unknown liability for individuals and all levels of government. This is a direct consequence of our propensity and desire to reap the benefits of living beside the sea and ignoring the changing risk profile, at our peril.

30 Thank you.

35 **MR COPPEL:** Maybe I can just at the outset say that one of the reasons we haven't focused on coastal hazards per se is that the terms of reference ask us to look at rapid onset events.

MR FITZGERALD: Sure.

5 **MR COPPEL:** Some of the nature of the risks that you were describing are not included in such definition. Although there are obviously risks associated with storms and flooding, cyclones in particular, where coastal areas are most vulnerable and exposed. Just I'd like to put that on the record.

10 You made a point about a call for appropriate coastal hazard information, can you elaborate a little bit more on the specific nature of coastal hazard information you have in mind? How does that relate to, for instance, information on cyclone risk information?

15 **MR FITZGERALD:** There's a project ongoing at the moment with Geoscience Australia, looking at the geomorphology, nature of sediment movement around the Australian coast in its entirety. And this is specifically designed to address these short term, but also ongoing, coastal hazards that we see, like erosion and things, and what that provides is an ability for governments, State governments and local governments, to be able to access that information, if it gets rolled out, access that information and use that within their planning instruments or their coastal management guidelines to be able to then have that information at hand for property owners or for governments and insurers and that kind of thing.

25 That's an example. Yes, I'll probably leave it there, that kind of thing. High level information regarding coastal hazards from a central agency would be most useful. New South Wales at the moment, the State government is fairly well resourced in terms of its ability to provide some technical expertise to coastal hazards and management planning. But the State governments in Queensland and South Australia, the resources and the technical expertise have gone now, and we're not in a position to be able to make useful planning decisions because we just don't have the information or the resources to be able to do that. So it poses a significant potential cost at local government level and State government level as well.

35 **MR COPPEL:** One of the issues you've identified, and we've also picked this up in the draft report, is that even when you have the information and local governments use that information in their local planning decisions, there's often a lot of pressure to do differently.

40 **MR FITZGERALD:** A lot of contest, yes.

45 **MR COPPEL:** There may even be litigation issues involved. We've suggested that there be greater guidance from State governments on planning objectives, in terms of where trade-offs and objectives are inherent, and how those trade-offs are made. Do you have any views on (a) what we're recommending in the report so they go far enough? Or other ways in which

you think that a better approach to - taking into account these risks in planning decisions could be how to design such a system to better take into account systematically such risks?

5 **MR FITZGERALD:** I think that's similar to the questions you were asking the Insurance Council earlier in terms of robustness of the data on which to base decisions. That typically is the point of contest in a lot of these cases. So at a national level where you're providing a centralised consistent robust set of data to be able to enable those decisions to be made, then to some
10 degree you're mitigating that risk of liability and legal action. Obviously it's got to be locally driven as well. Yes, I think the guidelines are you talking in the report in terms of prioritising objectives in giving some assistance to councils who are the main decision maker in the States would be useful.

15 **MR COPPEL:** When you talk about national guidelines, we're focusing – like the State levels, State and territory level; what is your view on that information being provided State jurisdictions have responsibility for planning – that that information be provided at a State level?

20 **MR FITZGERALD:** If the States were adequately resourced and coastal hazards and the management of coastal hazards was deemed a priority at State level that would be great. But we see from places like Queensland, I've already mentioned that it's just they're repealing a lot of their coastal policy and the coastal expertise within government departments up there have gone
25 now.

So a lot of it has sort of been devolved to councils and councils are, as you probably know, are under immense pressure in terms of prioritising their resources, their lack of infrastructure and all sorts of things. Coastal hazards
30 would fall off the radar. And again, there's this contest between sort of the private and the public good at the beach as well, which is a very tricky one for councils to manage, as they're typically quite small. You know, in Sydney there's 20-odd different – 40-odd different councils, I think. Yes.

35 **MR COPPEL:** Do you see any particular information that the Commonwealth could provide to State and local governments that these levels of governments do not have in relation to coastal risk information?

40 **MR FITZGERALD:** Yes. Like I say, a permanent Federal group maybe within an agency like Geoscience Australia, coastal hazard mapping, in particular and risk assessment at scales appropriate for good land use, coastal land use, planning and development assessment. So that's the work of the sediment cells themselves that I was talking about earlier on. Just having that rolled out nationally would provide great assistance, I think to State and local
45 governments around the country.

MR COPPEL: All right.

MS CHESTER: Who's doing that sort of data at the moment around Australia?

5 **MR FITZGERALD:** There was a pilot study done, I think, with the Western Australian Department of Planning and Geoscience Australia. But that's as far as it went. I think there was one or two sites that they looked at and there's a report up on the Department of Environment website, I think, now. Otherwise it's just sort of done on an ad hoc basis, it seems.

10

MS CHESTER: At State and local government level depending on whether there's a - - -

15 **MR FITZGERALD:** State and local government level in New South Wales, I can talk about because I'm more familiar with that. New South Wales there is a small pot of money made available by the Office of Environment and Heritage to assist councils with their coastal hazard planning and that's required under the Coastal Protection Act 1979. But that doesn't cover a heck of a lot and that's also the same pot of money that's
20 used to implement the actions that are recommended in those planning strategies. And quite often they're multi-million dollar investments, and particularly things like – sorry, locations like Old Bar in the mid-north coast there.

25 They've recommended planned retreat in that situation there because the ongoing risks are such that putting a seawall is only going to buy them 10, 20 years' time and that's just off-setting the costs into future generations. The cost of retreating and relocating some of those buildings out of harm's way and doing it in a way that's fair and equitable to everyone, we don't know
30 how much that's going to cost. And that's one of 15 coastal erosion hotspots in New South Wales alone. And around the country I imagine there are hundreds more like it in small coastal settlements, where, you know, you do a cost benefit analysis and it might not necessarily stack up in the local community's favour. And then they're obviously going to be try to protect
35 the beach with their own seawalls and the beach might disappear in front of it. So there are significant costs associated with protection and potentially costs on the amenity of the beaches, the ability to use the beach, which is, you know, a fundamental part of Australian life.

40 **MS CHESTER:** So where coastal hazards overlap with natural disasters is where a coastal hazard has been allowed to occur, whether it's through land use planning, for example, and then that sort of elevates the exposure and vulnerability of a coastal community to natural disaster risk. So from what
45 you're saying, if the data is not there with respect to the coastal hazard, how would they then be assessing what the natural disaster risk is for those coastal regions? Is that sort of the gap that's relevant to our inquiry that you're identifying?

5 **MR FITZGERALD:** Yes. I think that you've pretty much struck the nail
on the head, then. That would – the consistency of that data and guidelines
around how that data is disseminated and communicated as well, is really
important. Section 149 certificates under the Environmental Planning
Assessment Act in New South Wales are – there's some guidelines I think
about to come out and about how to identify and communicate current and
future risks there. And I'm not aware of the contents of that so I can't speak
any further, but that's under the Department of Planning and Environment's
10 website, I imagine.

15 **MS CHESTER:** If you're able to set aside the problem of making this a
policy priority, which level of government would it make most sense to
actually collect that data and then manage the risks that coastal hazards
present?

20 **MR FITZGERALD:** I think you would want to separate the two. So the
collection of the information at a Federal level and the dissemination of that
information to the States and then, you know, the States obviously have
responsibility for land under the constitution. So I would imagine that having
that data and information to hand would enable States to create the policy in
the environment within which good sort of coastal risk management could
occur.

25 **MS CHESTER:** If the Commonwealth were to set the guidelines for how
the data is to be collected and used, would the Commonwealth then still need
to play the – sort of the data role? If it sets the guidelines wouldn't it make
sense then for the States if they're - - -

30 **MR FITZGERALD:** Ideally. If we could sort of remove the local politics
out of the data collection and the prioritisation of coastal hazard assessment
that would be very useful.

35 **MS CHESTER:** Jonathan touched on before we had a suite of
recommendations around greater transparency in competing objectives for
land use planning, is there anything else that you think is required from a
land use planning perspective, apart from what we've set out in our draft
recommendations that would address, I guess this overlap between coastal
hazard and natural disaster risk management?

40 **MR FITZGERALD:** For now it's probably okay. But I would say that just
recognition that coastal areas are naturally dynamic and that there is this
potential for permanent loss of land as well, which other disasters don't have
that as a consequence. I think that needs to be recognised. So there is –
45 there's compensation issues that need to have some sort of guidance given
down, I think, from a Federal level probably, because there is potentially
significant costs. Like the flight deck and Marquis Towers on Collaroy-

Narrabeen Beach, there's hundreds of people living in here. And this was 1967 there was a big storm and the foundations of that building were exposed. There are some significant ongoing costs financially and also risk to life, on occasion.

5

MS CHESTER: We might get a copy of those images from you so we can accept them into evidence for the transcript.

MR FITZGERALD: Yes, sure.

10

MS CHESTER: Thanks, Tom. Sorry, Jonathan.

15

MR COPPEL: The interplay between land use planning, which is essentially where you can build, and the building code, which is how to build, and there maybe overlays on that building code for specific areas where risks are higher, do you have views on the ability of the building code to factor into account natural disaster risks of the nature that you're referring to?

20

MR FITZGERALD: I think there's a role there. The three basic strategies for dealing with coastal hazard risks are protect, accommodate and retreat. And accommodate would be the one where the building code would probably have a role because that's – protect is obviously build a seawall. Retreat is get out the way or avoid the risk. Accommodate is well, we might be able to live with a little bit of risk, but to do that we need to have the built environment sufficiently robust to be able to deal with the nature of salt water hazards as they occur at the coast, and in some cases it's already occurring.

25

There are requirements on developments to be driven and pierced into the ground to be able to withstand storm surges and high elevated sea levels, so there is definitely a role for the building code there. The coast is fundamentally a place – it's a mixing zone of three or four different environments plus the human society overlaying on it, so there are just so many different elements to it.

30

You need to be able to think about the building code, the land use planning mechanisms, also the Coastal Protection Act and insurance as well. There are a number of elements there that combined would together increase our resilience to some of these ongoing hazards. I can't even tell you the cost of these things because the insurance councils don't insure hazards, but you would have to ask councils and the State government as to how much money they spend on managing coastal hazards and how much money they could spend would be the next question to ask as well.

35

40

MS CHESTER: Tom, thank you very much for your submissions and for appearing today, that has been very helpful for us to get a better understanding of the society's views on these issues as they relate to natural disasters as well. Is there anything else you wanted to say?

45

MR FITZGERALD: No, not at this stage. That is fine. Cheers.

MS CHESTER: Thank you.

5

MR FITZGERALD: Should I leave these?

MS CHESTER: Yes. Thank you very much.

10 I would now like to welcome the Institute of Public Works Engineering
to join us. Good morning and welcome. Firstly, let me thank you for the
submissions that you have made to this inquiry and for your involvement in
some of our roundtables and meetings to date, that has been very much
appreciated. Perhaps if I could just get each of you to just state your name,
15 organisation, for the transcript record, and then if you would like to make
some opening remarks.

MS BARNES-GILLARD: Suzanna Barnes-Gillard, CEO, Institute of
Public Works Engineering, Australasia, Queensland division.

20

MR KAHLER: Michael Kahler, President of Institute of Public Works
Engineering, Australasia.

MR CHAMPION: Chris Champion, Chief Executive Officer of IPWEA
Australasia.

25

MS CHESTER: Thank you very much. Would you like to make some
opening remarks?

30 **MR KAHLER:** Yes, thanks. IPWEA and IPWEAQ, we have 3500
members across our organisation, across Australia and New Zealand. Of that
membership we are fundamentally made up of engineers in both the public
sector, local government, primarily, and private sector. We also have a
number of technical officers and frontline staff. We have also a long and
35 established expertise in asset management. The international infrastructure
management manual and some of the publications on Australian
infrastructure financial management guidelines are well known across
Australia and New Zealand, and we are also undertaking training in the USA
and Canada and asset management practices.

40

Our focus in this report has been primarily on not looking at cost shifting
and risk transfer to the States and local government through the funding
reforms, but really focusing on how we can improve the current NDRRA
framework, and we think there are a number of opportunities, some of which
45 have been touched on already today, where we can actually improve
outcomes by being proactive and not really shifting risk. Fundamentally, the
cost of disasters is not going to reduce. The only positive contribution we

can make, I think, is actually improving the mitigation efforts and improving efficiencies under the current program, but shifting increased costs to States and local government is purely that.

5 Overall, we commend the Commission on the report. I think, given the
timeframe, you have done an excellent job on canvassing the key issues.
Overall, there are many points within your draft report which we agree and
support, and I will touch on some of those, but our key opposition is
10 obviously around the recommendation 3.1 and changing some of those
trigger points which, as I touched on, I think would be unsustainable for the
State and local government.

15 I won't touch too much on 3.1 but fundamentally we are looking at the
status quo with the contributions and the trigger amounts, and the reasons for
that, given that the pressures State government and local government are
under and, given the amount of work that really needs to go forward in
implementing some of the recommendations that the Commission has come
up with, will take time and with any mitigation effort there is going to be a
20 long period. We are suggesting a three year transition, but that three year
transition will really rely on 12 months of actually taking forward some of
these proactive frameworks around land use planning, asset management, to
actually get some good guidance, top down, from Australian government.

25 Then looking at implementing increased mitigation funding and then
seeing in the third year what positive attributes and contributions that shift
and focuses made, and then I think that we are in a much better position to
actually review and talk about potential change into the funding mechanisms
for NDRRA. We are very much about supporting day labour and removing
30 those prescriptive conditions currently around day labour. I think there is a
volume of evidence around now that supports local government performing
the works.

35 There are some detailed studies that have been done in Queensland by
QRA, which I know you are familiar with, so I think enabling councillors to
utilise in-house or external resources to the best of the program requirements
and the community benefits. We are looking at increased flexibility. We
agree with some of the points around improved efficiencies and upfront
evaluation of damage. We think there are opportunities to actually have a
40 more efficient way to assess damage, reduce some of the administration
oversight, which I think is a symptom effectively of some of the grey areas in
the determination and the guidelines around it.

45 So having a more proactive framework around how damage is
determined and how those payments can be made upfront because cash flow
is a critical issue and giving local government and State government the
ability to effectively respond without worrying about cash flow issues which
has been a really big issue in Queensland over the last two years with the

flood mitigation works. The other concept we are pushing is really through some autonomy, and we will talk about asset management and land use planning, but the ability for local government, in particular, to allocate funds on a best for network perspective.

5

The current guidelines really for local government, in particular, are asset specific, so if there is damage on a particular road, whether that be a minor road or a major road, the funding is determined based on the damage on that asset and you must allocate that funding to prepare that particular asset, regardless of its function in the network. We are looking at flexibility and allowing asset owners to effectively allocate those funds on a whole of network perspective. So in that way, higher order assets will have the greatest investment and have the greatest mitigation impact, I guess, and greatest resilience improvement.

10

15

We also think there are some opportunities to take some of the elements that are working very well and other programs that are federally run, so royalties for regions' roads to recovery. There are some great demonstrated working technical committees and a framework there that I think could simplify, particularly if that front-end framework of how damage is determined and how funds are spent is put in place. The other thing around current engineering standards – we have talked a couple of times previously on that. There is work to be done there.

20

25

There is too much uncertainty around current engineering standards and service levels. So we need better definition of what current engineering standards can be used. We need to more clearly define service level and ensure that local governments and State governments can reinstate assets to current contingency standards to the same service level and be confident that they will be reimbursed to meet that current requirement. We also touch on, in our submission, the ability to actually provide assets at a lower than industry standard.

30

35

There are processes around such as extended design domain and others where, on a risk based assessment, asset owners can choose to put an asset back to a lower standard and that gets, again, back to that whole of network perspective. So if we receive funding on a particular asset, the asset owner could choose by that network function to actually reduce the expenditure, but the ability to reallocate those funds through that saving to other areas in the network to improve resilience and function.

40

We think, in particular, there is opportunity to look at the way damage on discrete major assets is evaluated. There have been examples with bridge infrastructure, major infrastructure, where under the current guidelines effectively a new bridge has been completely funded through REPA, through CAT B. We recognise that that is potentially unsustainable and if we can maintain the current level, we think there is significant opportunities to base

45

contributions on written down value or asset valuation. So we won't have an absurd situation where a 100 years old timber bridge, close to its useful life, is replaced with a brand new reinforced concrete structure.

5 **MS CHESTER:** Michael, I might just interject there for a moment because I think you are probably getting into some territory where, if we have some questions, we will cover that.

MR KAHLER: Sure.

10

MS CHESTER: We have been able to read both of your submissions and they are already evidence, so maybe if you had any other final remarks that you wanted to make that are in addition to what were in your submissions. I am just conscious of time, that's all. Thank you.

15

MR KAHLER: I think the other key point is around the mitigation funding. Currently you are proposing a 200 million allocation nationally which I think there is an opportunity to significantly increase that funding allocation. We can leverage off that allocation through 50/50 with the State government, very similar to what the betterment program has done in Queensland, and also have a contribution from local government. So if we did look at a similar approach to the betterment where there is 50/50 and up to 20 per cent from local government, you have a potential to have 1.2 billion per annum if you did increase to 500 million spent on mitigation on major assets where the highest risks are that will make a substantial difference to the network.

20

They are probably our key points. I think that the opportunities that we have outlined in our talking points, which you have got a copy of, there are a number in there that actually will reduce costs to the Australian government without a holistic shift of risk through insurance programs and through the reduction to the 50 per cent and raising the minimum disaster criteria. Thank you very much.

30

MS CHESTER: Thank you very much. Maybe if we turn to a couple of the issues that you have raised in your submissions and in your remarks today. Firstly, on the issue of uncertainty around what are the appropriate engineering standards for restoring essential public assets which is really what we are largely dealing with here, who would the institute see as being best placed to provide that guidance at a national level?

40

MR KAHLER: I think there needs to be a working group set up that would have representation from States, organisations such as IPWEA and EQ, to bring together some over-arching principles and a guideline document that would then be, I guess, the reference point for each of the States. There will be differences between local governments and State with specific engineering specifications, but this guideline is more of a principle and a philosophy document on the approach, rather than being prescriptive. So I think led by

45

Federal with some sort of taskforce or committee with the relevant players from State, local government and the engineering associations and, again, that would be one of those bodies of work in that first 12 months that is quite critical to go forward.

5

MS CHESTER: Key to our reform package is this issue of trying to put in place arrangements such that we can deliver autonomy back to States and local government in terms of how post-disaster funding is spent. It's sort of a centrepiece of your submissions and concerns around day labour and betterment and network infrastructure. One of the keys for being able to do that and to have some cash up front, for want of a better description, is how to estimate the costs to those essential public assets once a natural disaster event has occurred, and we have got some suggestions there at a reasonably high level in terms of doing a damage assessment based on benchmark costs for those assets.

It would be good to get your feedback on, firstly, how feasible that is to do and then, secondly, how much transitioning would be required before you think State and local governments would have the foundations and the information, the asset management plans in place, to be able to do that?

MR KAHLER: On the collection of cost estimate, there are some quite robust databases, again I reference Queensland, so main roads has done some significant work which we touch on. QRA has a good actual cost database now from across the State for nearly three years of data, so the ability to do it is definitely there and in fact local governments and State governments do that each time they actually put an estimate together for non-disaster type work. So the necessary framework, which would need to be driven federally, would then be State-specific and regional-specific based on your climatic conditions, costs, obviously regional and remote have higher cost elements, but in terms of putting the framework together, it certainly is feasible.

I think you are probably looking at a 12 month timeframe to really pull that together, again, setting up some sort of steering group that has got some national direction with the key players. The second part around that earned autonomy – there is really a large body of work to be done around the modelling and the risk mapping, hazard mapping. That obviously informs the land use planning and also allowing local governments to really integrate disaster management and risk management into their asset management plans.

Local government across Australia has quite mature asset management planning but the application and the direct focus on disaster mitigation and risk mitigation needs improvement. So, again, there is a real opportunity to allow local government to demonstrate that they have a long term capital works program that looks about asset risk and criticality and improving resilience. They have a defined essential public asset network and when we

5 have the upfront payment approved, we then have that whole of network ability to spend in accordance with that plan and that is actually what is getting audited, not whether you have spent \$2000 on one pothole before which is the current issue, which is very – it's an audit based process rather than an outcome based focus.

10 **MR COPPEL:** I was just going to pick up on that last point. There will still be some need for ensuring accountability which will require some form of auditing process. Do you have any view on who would be the appropriate bodies for the audit process, be it State or Commonwealth level, and also who would be responsible for making an assessment of assessed damage from a natural disaster?

15 **MR KAHLER:** My personal view or that of IPWEA's is that it should be State that actually do the audit and that can obviously be co-ordinated with their State agencies, particularly around flood mitigation which is the biggest issue in recent years. There would be some guiding principles and obviously still a Federal audit back to the States more on a financial but the engineering elements and the value for money outcomes about what treatment and where it's spent, I think is best left more with an engineering context and a compliance at the State level where the local government and States work very closely together, and the more traditional financial and compliance audit which the taskforce currently undertakes would just stay more around the compliance and the funding regime.

20
25 I think those relationships do exist from the older NDRRA processes where there was a strong collaboration, and I think with the Queensland experience due to the significant cost, it has probably become much more prescriptive – it's retrospective auditing. The key theme in our submission is mitigation being proactive and actually getting better outcomes when an event does occur, and I think that is where we can make the major benefits and changes.

30
35 **MS CHESTER:** Michael, if we are looking at the transitioning, maybe if we put it into two buckets. The first bucket really is the point around moving towards allowing autonomy through the assessed benchmark costs of damages.

40 **MR KAHLER:** Yes.

MS CHESTER: From what you are saying, if I am interpreting you correctly, you think that that is feasible to put that in place.

45 **MR KAHLER:** Yes, over time.

MS CHESTER: Over time. What nuts and bolts, what has to happen now differently going forward for that to be workable in 12 or 18 months? What

do State and local governments need to be doing that they are not doing today?

5 **MR KAHLER:** We need to build and agree rates based on our local expertise, market tested rates and they would need to be developed regionally, and that database done State by State. And I think the Queensland model could be used as a template for that. We also need to be looking at work treatment types. Another inconsistency is that there is no standard specification or work activity types under those unit rates. So every
10 unit rate needs effectively what work, what specification that activity relates to.

Those two need to be developed together. We need to better develop our asset management plans and our long term capital works looking at critical
15 assets and where we will spend that money, and then having the freedom, I guess, to allocate those funds, pooled with council funds, so that the asset renewal program and our long-term capex irrespective of whether a disaster occurs or not is slowly increasing the resilience of the asset. So those three factors I think are all interrelated and, again, that working group could start to
20 pull that together.

It's a big job but really that is the true opportunity to get mitigation and cost savings and consistency of modelling. It was touched on by the previous speaker. Equality of data for flood modelling, whilst there is some of the
25 national insurance work has filled some gaps but there is a huge difference between the level and content of modelling and, again, some guidelines at Federal level to at least get the minimum standard of data and quality and attributes of modelling so that geospatially and all that information can be shared between local governments, between States and nationally. So yes, a
30 lot of simple, upfront consistency in those frameworks and platforms would help significantly.

MS CHESTER: So in terms of the nuts and bolts for assessing the costs after a disaster has occurred at a State, local government level, 18 months in
35 terms of a transition period. In terms of the other conditions that we've identified for earned autonomy around embedding natural disaster risk into asset management plans, and those other conditions, what's your view on the timeframe around those that would be reasonable for a transition period?

40 **MR KAHLER:** I think overall I agree with the three year transition period. I think the first 12 months is really about developing these concepts, technical working groups. The end of the first 12 months actually defining the task, the second year would be actually starting to integrate and get those systems set up with local government, and year three would actually be the
45 go live implementation. That would then give us an opportunity to look at what mitigation benefits we're achieving through this new regime, and then have a more informed conversation around funding and that risk allocation.

5 The 500 million that we're suggesting, which is two and a half times
your current, that effectively is empowering and enabling local government
to do this work that really requires to set up these frameworks. So we're
suggesting that mitigation funding should not just be for physical projects,
but also assist them in putting the funding into some of these modelling
databases, planning, community engagement, all those elements, building this
unit rate cost database, so that they have the ability to actually implement this
quickly.

10

MR COPPEL: What's the basis for arriving at the 500 million quantum?

15 **MR KAHLER:** When we looked at the betterment program in Queensland,
which was 100 million, and that was pulled together very quickly, we
effectively had six or seven weeks to provide the submissions to State
government. There was 1.1 billion in projects came in, even over that very
short time, so it wasn't a detailed cost build up, but I think if we looked at that
as an experience, looking at nationally, the demands, looking at the
challenges that local governments' facing with infrastructure, regardless of
20 disaster mitigation, we thought that having potentially up to 1.2 billion across
the States and territories would actually make a marked difference.

25 Below that I think you're really not going to make a significant impact
within that sort of five to 10 year timeframe to actually see improvement
through proactive mitigation.

30 **MR COPPEL:** If you put aside the difference in the quantum of the draft
report, we also identified that the fund be distributed to States on a per capita
basis, and there are certain criteria that - or good practices that need to be in
place in terms of identifying and selecting projects that would be approved
under such a fund. Do you have any views on those processes and on the
distribution that's suggested in the draft report?

35 **MR KAHLER:** Yes. Our view is the distribution should be based on risk,
both obviously we know the hot spots, certainly around northern Australia
with the cyclone influence and the impact on roads and drainage
infrastructure, but I think it would be a far better outcome if it wasn't
effectively distributed on a population basis and was targeted on risk and the
cost benefit perspective. And then the State governments could do the same,
40 rolling that down to local government, so ensuring that those projects where
there was local government contributions were in fact the highest value for
money and not spreading the fund across 73 local governments in
Queensland, for example, but targeting those 10 or 12 where 70 per cent of
the NDRRA funds are being spent and targeting on a risk-based approach.

45

MR CHAMPION: Just go back to a comment about the implementation
timeframes. We should also recognise that the capacity of local government

varies quite broadly across the different 550 local governments. So some could be - and it's not necessarily size, some could have more capacity to implement disaster and risk planning into their asset management plans than others. So I think timeframes need to understand that what might be ideal could be longer for quite a few local governments.

Some local governments are still implementing asset management plans in a bare, basic way, others are more comprehensive. We need to allow time to build up, which are the kind of things that we do, build up the capacity of local government in a skilled sense. So that could even be over two or three years, just from the earlier adopters to the ones that are a bit more behind the times. And then it's not just skills, but it's having the resource, the labour or the dollars, to actually implement some things. Some councils will be able to do it in-house, others will need to require external consultants. If all of a sudden everyone's got to do it on one particular date, that just increases cost, because the resource is not there. The capacity of local government needs to be understood that it's - the time frame's kind of a transition across local government.

MS CHESTER: Thank you. Just so we make sure we understand, where you've mentioned the \$500 million figure, as I understood what you said before, it wouldn't just be for soft and hard mitigation projects, it would also be for providing resourcing support to State and local governments around hazard mapping and analysis and modelling. Did you have in mind how much of the 500 million is going to the latter as opposed to how much would be earmarked for the soft and hard mitigation projects that would be going through risk rating in terms of how they're allocated and then cost benefit analysis?

MR KAHLER: We've done no detailed modelling of that as yet, but intuitively as that mitigation fund progresses, upfront there will be more planning, modelling, data collection. So I think the softer allocation actually in the modelling, reporting and understanding the risk will be higher in those early years, and then obviously as infrastructure programs come out, it will shift to more hard infrastructure solutions. But yes, in terms of that break, we'd certainly like to pull that apart, if that's of interest, because I think a lot of feedback we've had from our members has certainly been highly supportive of that approach of more autonomy up-front and really leveraging that mitigation fund, because that is the opportunity to actually genuinely reduce the cost of disasters.

MR CHAMPION: Mitigation is also a long-term commitment, you can't just have mitigation for five years and it's all solved. It's got to really be something that's ongoing, virtually forever. Because risk change, climate's going to change, and it will take quite a time for - say in five years of mitigation funding we might have only addressed five per cent of the actual whole problem. So it's got to be a longer-term thing. So just spending even

five years of mitigation funding isn't going to solve or dramatically reduce the recovery and reinstatement costs, it's something that has to be over 10, 15, 20, years.

5 **MR KAHLER:** That's why that risk-based approach is so important, because at least you're maximising your investment in the high-risk areas, rather than spreading it on a typical grants distribution model.

10 **MR COPPEL:** In your submission on the draft report you made the point that the option - you have three options. The second option includes a top up to change the thresholds for NDRRA reimbursements.

MR KAHLER: Yes.

15 **MR COPPEL:** And you say that if it were to be based on an actuarially fair risk premium, that it would disadvantage States. Can you elaborate a bit more on what you have in mind there, in terms of the issue?

20 **MR KAHLER:** Yes. I guess we probably didn't have enough granular detail to really pull apart the insurance element, but certainly some appreciation of the principles. If you looked at the \$14 billion in Queensland over the last five years and you looked at an actuarially approach, and what that effectively, from an annual damage to infrastructure, that's a significant number. So based on a purist risk basis, trying to get insurance and paying that additional risk for areas of Queensland, Western Australia where they're also cyclone-prone, we saw that there may be a significant risk around that approach.

30 Certainly an area that our members were wanting to explore further, but I guess there was some tentativeness around the actual cost would be for that approach, and we didn't quite get that in the draft report. But potentially some extra work to understand, really, what that means to State and local government.

35 **MR COPPEL:** There has been some confusion over what that top-up refers to, and it's not a top-up of insurance for particular assets, it's really in relation to the level at which - the level of the threshold that we could be paying up for made - so it's like a fiscal risk insurance.

40 **MR KAHLER:** Yes. To bring it back up to 75. But what the payment would be to raise it from, let's say 50 to 75, was the unknown, so it was quite hard to comment specifically on the concept.

45 **MS CHESTER:** Yes. So, I think what we're trying to say is that here is the base model and the Commonwealth will provide that, that fiscal safety net to the States. But if you're a State who is particularly exposed to natural disaster risk and you don't want to wear that risk on your own budget on what

has been provided, the Commonwealth could help you but that would have to be sort of like on a top-up basis. And you're right, we don't know what those numbers would be because that would need to be sort of modelled probably, with the help of some reinsurers.

5

MR KAHLER: Yes.

MS CHESTER: I didn't have any - no.

10 **MR COPPEL:** I'm done, thank you.

MS CHESTER: That's great. Well, look, thank you very much for attending and for your involvement in our inquiry.

15 **MR KAHLER:** Thank you very much.

MS BARNES-GILLARD: Thanks for the opportunity.

20 **MS CHESTER:** I would now like to welcome Julia Davis from the Financial Rights Legal Centre to join us. Welcome, and thanks for joining us this morning. If I could just get you each to sort of state your name and organisation that you are representing, just for the purposes of the transcript?

25 **MS DAVIS:** My name is Julia Davis. I'm the Policy and Communications Officer at the Financial Rights Legal Centre.

MS KELLY: I'm Alexandra Kelly, the Co-principal Solicitor of the Financial Rights Legal Centre.

30 **MS CHESTER:** Look, thank you both very much for joining us at the public hearings this morning, and also for the two submissions that you have provided to our inquiry both before our draft report and following our draft report. I'll just first give you the opportunity, if you wanted to make some brief opening remarks before we get into some questions.

35

MS KELLY: Just as some background as to who we are. As for Financial Rights Legal Centre, we operate two services, one is a New South Wales based service for credit and debt, and we also have a national service that relates to insurance. Our credit and debt hotline has been operating for 10 years and we receive about 15,000 calls per year for assistance. Our insurance law service has been operating since 2007, and last financial year we took 5000 phone calls, an additional 800 advices through email.

40

Our experience largely is through a consumer point of view and a consumer's interaction with insurers. And so the sorts of insurance that we deal with range from life insurance all the way down to motor vehicle accidents, and so our experience is very much driven by that consumer focus

45

and their day-to-day interactions with insurers.

5 From our point of view, and where our submissions largely come from is what we see as recurrent themes that our clients are informing us about, not only with home and contents in natural disaster circumstances, but also in all forms of insurance, in relation to their understanding of risk, their understanding of pricing around that risk, the frustrations they might have in respect to understanding and comprehension, and also in respect of contestability of premiums. So, that's probably enough for our opening Statement.

10
15 **MS CHESTER:** Great. Thank you very much. We might start then first, in terms of from the folk that you're dealing with, where there is information gaps in their understanding, we hear from the insurance industry that the premiums for insurance is meant to be a powerful price signal of the risk that they may be exposed to. But where are the information gaps from the users of your services in terms of what additional information, from a natural disaster risk perspective, would they need to better understand those risks and what digestible form would it be best delivered to them in?

20
25 **MS KELLY:** With our clients, what they require is some form of corroboration, sometimes they just don't accept what the insurer is saying, they see it more as the insurer is driven to sell me a product at a certain amount of cost, and so some sort of independent corroboration.

30 So a typical example is someone has rung us and talking through with one of our solicitors, and even our solicitors will try and help by going online and looking at, you know, Google Earth even, just to have a bit a sense of an understanding of what their local surrounds are, what sort of history that area might have had in respect of floods, something where they can go to and say, well, yes, that seems accurate given these other bits of information that I can readily get some access to. Speaking to their local council, we have - anecdotally in different councils, won't corroborate, they won't provide the information. So, having some alternative source other than just from the insurer where they're able to have some form of corroboration.

35
40 In some sense it doesn't need to be so digestible, it can be of a level where a consumer can say, well, yes, this is a risk that I face in my local area where - to my mind it doesn't have to be so granular that you go into centimetres, but some form of corroboration, from some form other than the insurer, would be, in my view, the best thing for a consumer.

45 **MR COPPEL:** In the draft report we recommend that vendor statements be looked at in terms of a way in which such information could be communicated to consumers. And I'm wondering whether you have any views on that particular vehicle, or the efficacy of that particular vehicle, or whether you have other suggestions in which alternative forms of

communicating risks of natural disaster?

5 **MS KELLY:** I think the difficulty with a vendor statement is - and it depends on which State, is that there is already a lot of information in a lot of those sale contracts, and where does the vendor get this information themselves, if it's not already available, where are they going to get it. So, it's just sort of shifting that onto the vendor in circumstances where they not have the access right now, and how do we know what they are going to say is going to be right. And then what is happening with they're going to be exposed to the risk of what if they got it wrong.

10
15 A vendor statement, I'm not sure the source is the right - putting the onus on the seller. I think the local council and rates notices would have a lot more availability of that access and far more robust processes in place for them to be able to have that sort of information as opposed to the vendor themselves.

20 **MS DAVIS:** I would also add that at least the people calling us aren't trying to buy new property and wondering about the risk, it's all people who are in a home and want to insure the home they're already in, so vendor statements won't really solve their problem. What they need is a more regular - if something has changed in your natural disaster hazard risk, they need notice. So, council rates seems like a better way to do that since that is a more regular notice you're getting from the council. And who else is going to have that information if not the council or the insurer.

25
30 If your premiums change a lot it would be great to get a statement from the insurer about why they have changed and, you know, if the hazard risks has changed, like what happened in the Blue Mountains when they changed all the building codes, that would be a great time for it to come through the council rates.

35 **MS CHESTER:** If the vehicle were council rates notices and the information was at a high level what natural hazard risks you face, rating one to five, and that information was agreed between local government and insurers, because sometimes they don't agree on what the exposure is, that kind of addresses it from your perspective with the issues that have been raised by the clients that come to the centre?

40 **MS KELLY:** In respect of addressing and communicating risks, yes. And then what we would also want to see is some mechanism for review or contestability where a consumer disputes it. So, if you're looking at it from a local council area sort of perspective, they might not have the data for every single individual lot owner, and what we are hearing from the insurers is we are so granular now, we're pricing to the street, we're pricing for the individual house.

For a lot of our consumers, they are saying, well, we have taken steps to renovate our house and now we're cyclone proof, recognise that we're cyclone proof, and they don't know if the insurer is actually doing that. So, I think it needs to be more than just communication of, you know, this is what your natural hazard risk is, there also has to be some recognition of that idiosyncratic household position where they are making steps for mitigation on a personal level. And that where insurers are saying we're pricing so local, at such a local level now that there is some ability to contest and say, well, no, you've taken in the wrong information.

10

MR COPPEL: How do you envisage such a mechanism for contestability?

MS KELLY: In respect of we've got the Financial Ombudsman Service, who has some mechanism, although, in my view, it has failed, they take a very conservative approach. The Fire Services Levy in Victoria, was set up as a statutory scheme to look into the over collection of insurance premiums when that levy was removed, and they were able to get access to quite a lot of data from the insurer, and they have that sort of mechanism of being able to say, is this fairly taking - has the information been taken into account, and is that fairly being reflect in this person's premium.

20

So I think some sort of independent scheme, whether or not it's just the ombudsman and Insurance Contracts Act is made more robust to allow that and for a more robust mechanism, or a completely separate scheme is set up, that some mechanism to enable transparency and to enable that contestability in case there are circumstances where the wrong information has been taken into account.

25

MS DAVIS: What we thought worked really well with the Fire Services Levy Monitor is they had the ability in Victoria to really dig into the commercial data of the insurers to see what were the components going into pricing. So if you had an independent monitor like that, they could actually look at the premiums without exposing that private commercial data to the consumer, but you'd still have this independent organisation the consumer could trust that is in fact looking into the premiums and making sure that everything's on the level, without having to make the insurers mad by exposing all of their commercially sensitive data.

35

MR COPPEL: What was the body in Victoria?

40

MS DAVIS: It was the Fire Services Levy Monitor. So they were created, I think, after the Victorian bushfires in 2009, and they only existed for about three years, and they're just finishing up now. But they have put out a few reports, which I'd be happy to forward on to you guys, and they were able to access a ton of data that, really, consumers - we've never seen before.

45

When they put out their reports, it was really enlightening to see what

was going into premiums, what were the components, how did pricing signals change. And I think it was only because they had the statutory power in Victoria to really dig into that data.

5 **MS CHESTER:** One of the other issues that we're dealing with is the drivers for under-insurance. It would be good to get your thoughts on what you've seen from the clients that use your services of what you see those drivers as. One issue that has come up in a lot of the evidence we received, particularly around the Blue Mountains fires, was understanding the gap
10 between sum insured versus actually the cost of rebuilding the family home when it's been destroyed by a fire.

MS KELLY: We would agree, that it rarely - in fact I've never seen a case where somebody's intentionally under-insured. All the people who have
15 contacted our service have thought that they had adequate coverage, and it's just turned out it was inadequate, whether or not this was in a bushfire or just any sort of electrical fire in a house.

There's a combination of factors that we've seen. Sometimes it's you
20 were insured correctly at some point, and then at each renewal you've not readdressed the cost of rebuilding, you haven't taken into account the cost of rebuilding after a disaster event, or you may well have taken that into account and what's happened is the insurer has changed the policy wording. And so we had circumstances where an insurer changed their policy wording around,
25 an unlimited additional sum insured amount for rebuilding after an event, in they reduced it to a set coverage amount. And so the person wouldn't be aware of that kind of nuanced change within their insurance policy when it occurs every year.

30 So in one sense it's also the insurance companies themselves changing the terms to better reflect their risk or their exposure, and that not being communicated in any meaningful way to the insured, because, from our experience with dealing with the insured, they don't read their product disclosure Statement, they rarely take any notice of their renewal Statement.
35 So those sorts of changes in policy wording aren't communicated until an event takes place, so that leads to under-insurance.

There are also issues around calculators not quite being accurate, or having different results from different websites, which leads to consumer
40 confusion as to what do they need to rebuild, how much should they be spending to rebuild, what is an appropriate sum insured. We've had consumers tell us that they have tried to insure for a higher amount, and been told by the insurer, no, that's - you're not insuring for enough, or that'll be enough - at that sort of inception time.

45 There's a number of factors that get into it. Some consumers just can't afford it, and so they will reduce cover for premiums. But I would say that's

a fairly low minority of the people that we've spoken to.

5 **MS CHESTER:** In our draft report we've got a couple of recommendations that we're trying to address some of these under-insurance issues and the drivers. One of them is acknowledging the government's initiative around having a fact sheet. So instead of having to wade through a PDS, you've got a fact sheet which tells you what your insured for, and we're sort of putting forward the idea of expanding on that, to have some factual information around two areas. Firstly, the hazard risks that you're exposed to, and then
10 secondly, what's the order of magnitude difference between the sum insured for the family home versus the replacement cost if you have to rebuild it tomorrow.

15 Be good to get your feedback on those recommendations and whether you feel they're right, wrong, go far enough.

20 **MS KELLY:** I think any way of trying to inform a consumer through key fact sheets, you would need to do some research into whether or not consumers are understanding that. So a lot in the credit space when they changed the credit laws, our experience in there was that they did a lot of research to work out in a loan contract how to best identify and communicate information to the consumer.

25 We don't think there's enough research or investigation into are consumers actually digesting that information, are they reading it, what best communicates that. So I'm positive to see it as a recommendation, but I'd also want to see some research into is this the best way of communicating that information to consumers. Because having all of that information and then it just being ignored, like the renewal notices currently are, or the product disclosure Statements currently are, then to me it's a wasted effort and not addressing the need that's required.
30

35 **MS DAVIS:** Yes, we've been around through the consultation of all those key fact sheets which haven't actually come into play. They're coming in in November. And what we were frustrated with in that whole process is there wasn't ever any real testing of consumers, no-one actually got consumers in a room, had them read the key fact sheets and then asked them what they remembered. And we just really think it's a lot of work for insurers to put that information into a fact sheet, and you'd want to make sure that they're
40 going to work before you ask insurers to do all that effort.

45 We would really like to see some researchers brought in, bring in some students, bring in some middle income consumers, actually test the fact sheets and see if people will read them, if they'll even retain that information, if they'll even understand a fact sheet about risk and put it together with, I should increase my sum insured. Because none of that testing's been done.

MR COPPEL: Do you monitor or take stock of work that does try and evaluate how to design these fact sheets in a way in which the information is conveyed, what works and what doesn't?

5 **MS KELLY:** We looked into whether or not there's any research been done, and we couldn't find any. Through the Victorian Services Levy Monitoring over collection funds, we received some of those funds that couldn't be returned to consumers, and we are looking into funding our own research, in a way, to see what would work. In the credit space they did quite a lot in
10 respect of that sort of disclosure, but to my knowledge, I've not seen any in insurance.

MS DAVIS: No. Anecdotally, I mean, everyone's so different. Consumers are so varied, so it really is hard to say what's going to work and what isn't.
15 At least in the credit space they did find, you know, if you put a box around it, if you have - it's got to be less than a page, it has to have a certain amount of white space. I mean, there really are some statistically useful evidence that could come out of research, but we couldn't say anything more than just anecdotally what we thought. I mean, we have our own fact sheets on the
20 internet, and we set them out in what we think are understandable for consumers, but we haven't tested those either.

MS CHESTER: One other issue I did want to ask you about was you raised some concerns around the building resilience rating tool that's currently
25 available. Be good to get a better understanding of what those concerns are and how you think they could be addressed.

MS DAVIS: Our biggest concern relates to - our main point in our submission is contestability. It's great if that website's out there it's seems
30 very accessible from what I've seen in your report, and the screen shots, but if it's wrong, then what? If a consumer looks at it and it's rated improperly, is there any way to review it? And how can you be assured that those ratings will actually be taken into account in your premiums?

35 So as long as there's transparency and contestability, we think it's a great tool. But if it's just going to be out there and that's it, that's your risk, and there's no way for you to contest it, we will get those costs from consumers.

MS CHESTER: So when you say contestability, you're talking about the
40 right of a householder to challenge and to have someone independent make an assessment.

MS DAVIS: Yes.

45 **MS CHESTER:** Okay.

MS DAVIS: Those were our main concerns really.

5 **MR COPPEL:** In your submission you make the point that it's not the existence of hazard information, it's the accessibility of that information, and you also point out that accessibility is limited by risks of legal liability. And you make the point that if that could be overcome, accessibility would be improved. Do you have any views on how to do that?

MS DAVIS: How to overcome the legal liability issues?

10 **MR COPPEL:** Risk of legal liability.

15 **MS DAVIS:** Look, I just - no, we don't probably have an answer to that, but it just seems like something that surely can be overcome. If there's such a great public interest in that information being available to consumers, then surely there can be some agreement between local governments to prevent any sort of lawsuits from consumers. We don't have a problem with lawsuits, with consumers not being able to sue, but we'd rather the information be available. But on a legal level, how to protect governments from releasing that information, I wouldn't know.

20 **MS CHESTER:** Thank you very much for attending today, and for your submissions. And we appreciate that you're giving us a lens(?) into a larger group of consumers that we wouldn't otherwise see through our public hearing processes and our inquiries. Thank you for that.

25 **MS DAVIS:** Would you like me to forward you the information on the Fire Services Levy Monitor?

30 **MR COPPEL:** Yes.

MS DAVIS: Will do.

MS CHESTER: Thank you.

35 I'd now like to welcome a representative from SAFECOM, David Place, to join us. Welcome, David, and thanks for joining us here in sunny Sydney this morning. Also we'd like to thank you for your very active involvement in our inquiry and the South Australian Government's, both through meetings and roundtables and submissions pre and hopefully post our draft report. But
40 if I could just get you to state your name and organisation you represent for the transcript?

45 **MR PLACE:** David Place, I'm the Chief Executive of the South Australian Fire and Emergency Service Commission.

MS CHESTER: David, would you like to make some opening comments before we get into some questions, and I don't think we've yet received a post

draft submission from you yet, so you might want to touch on some of that in your opening remarks, or give us an update on that as well. Thanks.

5 **MR PLACE:** I will, thank you. Well, thank you for the opportunity to appear before you today. I've got a written opening Statement, if you don't mind, because we have a peculiar circumstance where our cabinet is considering today our submission. So I guess I have some constraints and some provisions about what I can and can't say on behalf of South Australia. But I would like to raise the main themes and probably clarify a lot of the
10 questions you may have.

15 First issue is the support for the mitigation. South Australia has long supported the approach championed in your report of increased investment and pre-disaster mitigation prioritised by risk as the most cost-effective means to reducing resulting losses, response and recovery costs. We are glad to see that this approach has been well researched, analysed and the results reflected in the draft report's recommendations.

20 South Australia has made significant investments of resilience funding into State and regional risk assessments across our State since 2010 to support this approach. These assessments have used the current version of the National Emergency Risk Assessment Guidelines, or NERAC as they're more commonly known. We consider that this investment fulfils some of the institutional and governance arrangements described in the draft
25 recommendations on the mitigation.

30 We've undertaken all of this assessment with a view to prioritise future mitigation investment and will seek to align the approach we have taken with the Productivity Commission's findings in the future. As we speak today, also in Adelaide the sub-committee of the Australia and New Zealand National Emergency Management Committee is holding a workshop to further develop a risk mitigation investment value framework. So I'm happy to take any questions on that later too if you wish.

35 However, when looking at the overall risk to the State we do take the view that there is the potential, however unlikely, for unusual rare but major disasters to impact the State to the point that affects financial stability, which includes in South Australia earthquakes, catastrophic bush fires and floods. Such major events over and above the routine, or even exceptional disasters –
40 and many are outside of our historical experience – however, they are still credible scenarios based on modelling and experience from elsewhere.

45 South Australia believes that the open-ended 50:50 cost share for NDRRA proposed in the draft report looks at historical disasters but not the possibility of major disasters. Therefore South Australia believes thresholds for major disasters should be retained at a high threshold based on State revenue. Disasters above this threshold should retain a 75 per cent margin of

contribution from the Commonwealth.

5 The second point is we noted in our original submission and continue to support the view that heatwaves are highly damaging natural hazard. The inquiry has stuck to the strict definition of natural disaster which excludes heatwaves. While not as readily apparent as many hazards, heatwaves cause a large number of deaths and injuries. The additional cost of heatwaves in terms of infrastructure disruption are being better quantified in recent times.

10 We also note that the Bureau of Meteorology will this year be continuing with its pilot forecasting of severe and extreme heatwaves using rigorous criteria. These could be used to determine the timing and areas of heatwave events eligible for potential assistance. We continue to pursue the recognition of heatwave as a legitimate natural disaster in the final report of this inquiry and with the Commonwealth in any reform negotiations following the inquiry.

20 The third key point is the timing of mitigation for investment. If a new national investment into mitigation was to occur as a result of this inquiry, there will be a period of several years before the benefits of that mitigation will be seen in a reduction disaster relief and recovery costs as the savings that are described in the draft report. Therefore the tying of mitigation funds to a reduced NDRRA at the outset is likely to be premature for two main reasons. Firstly, there are likely to be no noticeable savings for some time. And secondly it is likely to take some time for terms of an amended NDRRA to be finalised across States and territories and delays to mitigation funding because of this would be undesirable.

30 Therefore it is recommended, if South Australia agrees, that mitigation funding should be provided on a per capita basis and the tying of NDRRA reform and redistribution based on savings to disaster losses be deferred. This will allow time for these reforms and the associated governance arrangements to be negotiated.

35 Lastly, on paper, South Australia is a relatively safe state. Our claims from the NDRRA have been quite modest over years. Our costs have never reached levels that call for 75 per cent of the recovery to be paid by the Commonwealth. But if you look at the payments over the last decade for relief and recovery all of the NDRRA eligible activities we have engaged in only eight per cent of the total costs have been reimbursed by the Commonwealth. Therefore our practices are not significantly influenced by NDRRA as they are not a significant contribution to the recovery programs that we have operated in the past.

45 Finally, the inquiry was strongly supported by South Australia when it was set up. It represents a rare opportunity to make a Statement about how aware reforms need to occur. Natural disaster funding, as you have pointed

5 out, is an economic reform across the Commonwealth, the States and the territories. Whilst South Australia is a relatively safe State we would welcome the approach in principle. There are some areas where we could seek to amend the inquiries findings. In some instances, such as major disasters, South Australia believes the Commonwealth should maintain a high rolling relief and recovery that is recommended.

10 In mitigation planning there remains a role for the Commonwealth as a coordinator of national capabilities, where one person doing the job makes more sense, such as coordinating information and data. The inquiry could also seek to clarify implementation of its measures and illustrate the potential impacts on State and territory budgets. South Australia also recommends modest lengthening of timeframes before requirements of obligations of States and territories come into effect, which may allow them to provide more acceptable outcomes. And again, thank you for the invitation to speak to you today.

20 **MS CHESTER:** Great. Thanks very much, David. You might have to bear with us a little bit to make sure that we understand where the South Australian Government position is heading, and we do look forward to getting a post-draft report submission from you when it's gone through its requisite approval processes. But just to run through very quickly to make sure we understand what you're saying today. So firstly, that the South Australian Government is likely to be proposing that a 75 per cent cost sharing rate still remain in place but for a higher threshold for major natural disasters; is that right?

30 **MR PLACE:** Yes. I think it's the safety net, really. In South Australia we haven't actually ever got anywhere near that amount.

MS CHESTER: Yes.

35 **MR PLACE:** However, the three biggest potential disasters facing South Australia, for example, the one in 10,000 year earthquake would be catastrophic in nature and probably way exceed South Australia's ability to manage that fiscally. Also the Brown Hill-Keswick Creek one in 100 year flood would be a significant event, along with a catastrophic bushfire in the Adelaide Hills. So they're all quite credible scenarios but we've not – except for the bushfire context – not really had one of those.

40 **MS CHESTER:** But where you're suggesting around the 75 per cent that's the likely extraordinary catastrophic natural disaster impacting South Australia, such that the 50 per cent wouldn't, from your perspective, be appropriate? So it goes above and beyond sort of like a vertical fiscal imbalance issue between the Commonwealth and the States; is that what you're suggesting?

MR PLACE: No. I think we're saying we would remain as the current arrangement.

MS CHESTER: Okay.

5

MR PLACE: Yes. Now, in time, I think, as mitigation levels improve and there's economic modelling that can show that there's a reduction, then that's another story.

10 **MS CHESTER:** The third point – and I wasn't quite sure what you meant there – you're suggesting that the mitigation funding would start immediately, but a reduction to any – any cost savings to Commonwealth from changing thresholds or cost-sharing rates wouldn't be introduced until it can be proven that the mitigation funds had resulted in a reduction in post-disaster costs?
15

MR PLACE: Yes. I think that in the draft report they're sort of connected. We're saying whilst we would support, probably on a slightly scaled back version over a little bit longer time, but we would be very happy to support some increase in mitigation investment pretty much straight away. The time for payback on that is unknown.
20

MS CHESTER: I agree.

25 **MR PLACE:** But it's likely to be somewhere in the five, seven, 10 year framework. So to immediately cut back on the NDRRA we believe there's a payback time where you have to scale up the mitigation investment efforts before we would see tangible results that would allow the reduction in the NDRRA.
30

MS CHESTER: I think that what we're suggesting in the draft report is more the imputed savings from the Commonwealth changing the cost sharing and the thresholds would be used to fund the mitigation, as opposed to making a formal link between actual after the event reduction in post-disaster costs because of the mitigation, because we can't forge that link.
35

MR PLACE: I'm not sure if there is economic modelling around to actually do that with any sort of confidence.

40 **MS CHESTER:** Yes. That's great. Thank you. I just thought it would be helpful just to clarify a few of those points before we get into some questions.

MR PLACE: Yes.

45 **MS CHESTER:** I guess one of the core issues around the recommended changes that we're making is really trying to take the arrangements back to the fiscal safety net for the States, and it would be good to get your thoughts

on two things. What revenue threshold really represents a material impact on the South Australian State budget, if you're looking at it from the fiscal safety net perspective?

5 **MR PLACE:** I'm probably not prepared to answer that question. I would if I could.

MS CHESTER: Okay.

10 **MR PLACE:** But I think historically the threshold for South Australia to claim – there's been about the \$26 million mark before we can actually make a claim. That's over multiple claims over a financial period. We've never even got close to that, to be honest. So I think in terms of threshold, as I said, we've managed to manage within the existing State budget envelope for our
15 disasters. But, however, there remains a risk of those catastrophic events that could credibly happen in South Australia. So that would put us out of the economic comfort zone, so to speak. But I can't quantify here today exactly what that will be.

20 **MS CHESTER:** Okay.

MR COPPEL: Can I just come back to an earlier point in terms of your response to the design of a proposed reform of the NDDRA, and there's a very significant shift away from a reimbursement model to allow State and
25 territories greater autonomy and how the recovery budget is used, given general good governance principles wrapped around that, which centres on the calculation of an assessed view of the damages based on benchmark prices, do you have any response to that particular proposed reform?

30 **MR PLACE:** I'm not the recovery expert in South Australia, but that – I think there's some merit in that if we had some more detail. I can't expand on that any further.

MR COPPEL: No. Okay.

35 **MS CHESTER:** David, coming back to the cost sharing rate which is kind of like the heart of the NDRRA arrangements between the Commonwealth and the States, we did have some commentary and hopefully a rationale in our draft report that if the reason the Commonwealth is providing the fiscal
40 safety net when it comes to natural disaster risks for effectively State assets, it's driven by this imbalance between the Commonwealth and States, the vertical fiscal imbalance, who raises the revenue and who spends it. And we know that that's around 50 per cent, so that then sort of made sense to us as an appropriate cost sharing rate. What's the basis or what's the thinking in
45 South Australia to warrant a 75 per cent sharing rate above a high threshold?

MR PLACE: I think it's fairly simple. I think it's just the fact that the

credible disasters that could happen would have a significant economic impact on the State, and therefore they will be looking for assistance in those scenarios. I think it's as simple as that.

5 **MS CHESTER:** You're looking at the sort of catastrophic natural disaster like an earthquake hitting metropolitan South Australia, is there a sort of quantum threshold you have in mind for that sort of event?

10 **MR PLACE:** There probably would be one in our paper. Or there is one in our paper. But I can't express that right now.

MS CHESTER: Okay. We will wait to get it. I won't ask too many questions on that. I've put you in a difficult position.

15 **MR PLACE:** Okay.

20 **MS CHESTER:** In terms of the small disaster criterion as well, which goes into what then is allowable into the threshold calculations, and our draft report recommends moving from the \$240,000 which we thought might be picking up sort of routine weather events, to a \$2 million, what sort of events would or would not have been covered historically for South Australia, just on the small disaster criterion alone, moving from the 240 to the 2 million?

25 **MR PLACE:** I'm just thinking off the top of my head – in the last few years, for example, the Stockport flood was a very localised flood in a small community just north of Adelaide, but quite devastating for that individual community. That would have probably met that criteria. There would have been several fires, for example, like the Bangor complex of fires earlier this year, would have fallen into that criteria still. So I think where we we're
30 looking for support, I don't think there's a significant – the \$2 million I don't think is a significant difference.

35 **MS CHESTER:** That's helpful. In our report we have a couple of options for reformed funding arrangements going forward. I think probably the key difference is how the threshold works, whether it's a cumulative threshold across a year, which is effectively options 1 and 2, and option 3 which is an event based threshold. It would be good to get your views and thoughts on the relative merit of whether the threshold would be cumulative across a year in terms of the fiscal impact on a State or whether it would be event driven.

40 **MR PLACE:** I think there's arguments for both of those, but I would probably need to wait for our decision before I can put a formal position forward.

45 **MS CHESTER:** Okay.

MR COPPEL: I perhaps want to come back to the comment you made on

heatwaves and get an understanding of why you think heatwaves should be brought in to, well, sort of the Commonwealth/State funding arrangements given that recognising that there are losses in terms of lives, but the arrangements are primarily there to support the rebuild of a central infrastructure. So what's the link between heatwaves and central infrastructure?

MR PLACE: Well, I guess firstly, just before we talk about infrastructure, the largest loss of life from a recognised natural hazard in recent times was a heatwave that affected South Australia a couple of years ago and that's been proven statistically in morbidity numbers. But ongoing with that heatwave is a – often a major disruption to I guess by soft and hard infrastructure. The typical example is the damage to roads, rail infrastructure, et cetera, et cetera.

It is quite significant and we have had I think three declared heatwave events now in the last four years, and I think the bureau is predicting possibly another summer where it's highly likely that we could have more. So there is proven infrastructure costs, hard infrastructure costs, but also, as I said, the loss of life is proof significant.

MR COPPEL: Do you have any public information on those infrastructure costs?

MR PLACE: I don't have them with me but certainly I would be happy to provide that.

MS CHESTER: As part of some of the reforms that we are recommending, David, there are a number of accountability requirements that we attach to those changed funding arrangements, particular around earned autonomy. It would be good to get your sense of how much time you feel it would take for South Australia to work towards meeting those conditions and how far away you are if you think the State government is from today.

MR PLACE: Just repeat the first part of the question.

MS CHESTER: As part of the reform recommendations, we had a number of conditions attached to eligibility for NDRRA funding, so the earned autonomy. There are to suites of conditions. There are those attached to getting the funding for post-disaster recovery, and then there are those attached to the mitigation bucket of money. So it would be good to get your sense of what timeframe would be required for South Australia to sort of make any progress or advancements that would be required to fully meet those pre-conditions.

MR PLACE: In terms of the mitigation, as I said in my opening Statement, we have been following the national risk assessment guidelines, not just at a State level but at a regional level as well. The benefit of going through that

5 process is we can prioritise the risks, not only State wide but regionally, and currently we are working through the treatment options for those risks. So I think in terms of governance and being able to prove that we can identify our key risks and our key treatment options that are required, I think we are well down the track and that would not take long at all.

10 **MS CHESTER:** With respect to some of the other conditions around asset management planning imbedding natural disaster risks and, I guess, talking State and probably local government level there which you may have a sense of.

15 **MR PLACE:** Again, I think it's a bit like the comet. In some of those areas we are ahead of the game and some we are down towards the tail, but I would expect if we had a target of about three years to do most of those things, with maybe an exception of some of the land use planning criteria which is proving to be difficult and problematic, I think not just for us but for most jurisdictions, I think we would be reasonably on target. We are quite confident that we can meet most of these targets.

20 **MS CHESTER:** You touched on before, the allegation of the mitigation spend and as I understood from your opening remarks, you are comfortable with it being allocated on a per capita basis. We have received some post staff reports submissions and, indeed, we have heard in our public hearings this morning, a suggestion that the decision on how the funding is allocated –
25 we sort of made it a Commonwealth government level by something akin to Infrastructure Australia, it would be good to get your views and thoughts on that.

30 **MR PLACE:** On the per capita breakdown, or are you saying per capita versus risk?

35 **MS CHESTER:** Moving away from per capita, it would be on a risk rated basis at the Commonwealth level by something akin to an Infrastructure Australia deciding how to allocate across the whole of Australia and to which projects.

40 **MR PLACE:** I think that is an aspirational goal. I think when we have a robust risk management framework across the country, that is common and we understand what our risks are and our treatment options are, then I think we can start to go down that path. Even though we have a nationally agreed risk assessment framework in the NERAG, we still have jurisdictions who sort of work within the rules slightly differently to each other. I know one jurisdictions risk assessment is largely based on historic events, as opposed to
45 credible scenarios that could happen.

I think once we have a common framework and a common approach, as we mature in terms of risk, I think that is quite feasible, but in the short term I

think some of the eastern coast jurisdictions, for example, some of the major floods, they could just completely overwhelm the funding for the rest of the country. But, ultimately, I think that is probably a good, altruistic goal to hope for.

5

MS CHESTER: One of the other issues that we have raised in terms of the mitigation funding being appropriately spent is how the decision-making occurs. And there are some governance arrangements and cost benefit analysis that would be required and the like, a lot of that assumes the capacity of local government to make submissions and prepare proposals and have cost benefit analysis commission. How do you see that working in South Australia and is it really going to rest on the capacity of local government to be able to make those submissions?

10

MR PLACE: My view is that, again, going through the risk assessment framework, and as I mentioned earlier, there is a workshop in Adelaide today to try and look at a value chain in mitigation investment decisions from understanding your risk through to access to data, through to how to do some economic modelling of various options and then through how do you test the resilience of a community to see if that is the most beneficial option.

20

If we can do some of that work and get that framework in place, identify the research gaps, the data gaps, and some of the work that needs to be done, and then if you take that into jurisdictional context that each jurisdiction will know what their risks are by region, by State, can understand what the treatment options are, and what the best bang for your buck would be to do it, then I think it's really up to each State jurisdiction to work with their local government to work out who is responsible for what part and agree on a process.

25

30

I think the journey to get to that point should be led by the Australian/New Zealand Emergency Management Committee to have some governance over that framework and that model. ALGA is represented on that committee. I know the local government association is represented on our State emergency management committee. So some of those policy decisions so we can – it's about shared understanding and shared agreement on what our priorities are. I think that is the vision of how to go forward, and then I think it's up to each jurisdiction to work with their local government association and local councils to work out how best we achieve that in whatever our economic policies are. Sorry, that is a bit of a generic answer but - - -

35

40

MR COPPEL: In the draft report, the number of information requests and maybe you have picked up on some of these in submission that you will keep providing – one area in particular relates to counter-disaster operations where there is no real explicit definition of what gets counted and what doesn't get counted. I would be interested in your views on whether you think there is a

45

need for an explicit definition of counter-disaster operations.

5 **MR PLACE:** I think it will only assist – it's a simply answer really. We have some national governance arrangements. I think we could work through processes and come up with common understandings and common definitions, and if you don't have that sort of base mark with, I guess, the ability to work within some - exceptional circumstances occur from time to time, but mostly I think we need to have common definitions so we can actually measure like for like and make comparisons.

10 **MR COPPEL:** Do you have any views on the principles that would define the boundary of counter-disaster operations and where there is a role for - - -

15 **MR PLACE:** I think if you had a lot of the response and recovery people in the room, I am sure they would have very, very common views. I personally can't probably answer that question with any sort of level of detail but I think it's up to each – my personal view is I think that is not that far away now, but maybe people have slightly different views at the edges. It's really about just working through those. And I think there is a governance framework that can probably do that.

20 **MS CHESTER:** David, we touched on earlier in our discussion with you, the issue of moving away from the reimbursement model to one where an assessment of the damages and the benchmark costs for the essential public assets would happen very quickly and therefore there could be sort of more autonomy at State and local government level and how those post-disaster recovery funds are spent, that addresses all the day labour and the betterment issue problems that we have got, which have probably been highlighted more in States like Queensland and Victoria in the evidence that we have had to date, but issues that you are really very familiar with as well.

25 It would be good to get your sense of what are kind of the nuts and bolts changes that would be required in South Australia with State and local government to get those sorts of arrangements up and running.

35 **MR PLACE:** I am going to sound like a broken record here, but if we go back to the risk assessments and understanding what your priority risks are and what your treatment options are. Let us take the simple example, if you go through your processes and you understand that there is a particular bridge that is vulnerable in a particular community, the State government or the local government doesn't have the economic ability at that particular point in time to replace that asset because they know it's a risk, but it should be clearly identified. For example, that bridge is at risk, and where the potential reconstructed bridge should be, should it be removed in a catastrophic or major event.

45 I think it's that sort of thinking that we need to have but, again, you need

to go back to the detail. We need to do the risk assessments; we need to do the treatment planning, the priorities, et cetera, understand these things. So when a disaster happens, I fully understand there is a lot of pressure to get things back to normal, both from the community but also politically. People
5 want to see things get back to normal and often we can rush and rebuild something exactly where it was, knowing that in five years' time it could be swept away again, if you want to use the bridge example.

I think it's about pre-planning. It's about our risk assessment. It's about
10 understanding where our vulnerabilities are, and being prepared should something happen that we can put quickly into place plan B.

MS CHESTER: I guess the other key input there, particularly if the Commonwealth is wanting to make an assessment quickly and get cash out to
15 the States, is it's up to the State and local government based on those risk assessments, what they do with that money, whether they rebuild the bridge or relocate it or whatever, and that is what those risk assessments get to. But it's working out those benchmark costs which are kind of like a replacement value assessment at the Commonwealth level. Does that data exist now in
20 South Australia for your essential public assets, or would that need to be - - -

MR PLACE: I think in areas where we probably know that we have issues, it would be available. But there would be other areas clearly where, if you were hit with an unusual circumstance, probably not, it's fair to say. I think
25 the question you are also asking is about common costing of these things so we have an agreed formula for costing, so we know what is tangible. I think that is a good idea. I would support that approach. Obviously we would have to do some NPV calculations over time and things like that but, again, I think that if there is a common understanding of what would be agreeable if
30 an asset was replaced in a different location, and we have that pre-determined within sort of parameters, I think that can only be a good thing. Would support that.

MS CHESTER: I didn't have any other questions. David, thank you and we
35 might talk later about another opportunity to have any follow-up questions once we have had the benefit of reading your post-draft report submission, if that is okay.

MR PLACE: I apologise, I have had to be a bit vague about a few things.
40

MS CHESTER: No, that is okay. So if we assume that that all goes through the processes today, we would likely see that sometime later this week perhaps.

MR PLACE: It is scheduled before Cabinet today. As soon as it's released I
45 will make sure you get it – it's forwarded.

MS CHESTER: Thank you.

MR PLACE: They understand the sense of urgency.

5 **MS CHESTER:** Thank you very much for joining us today.

MR PLACE: Thank you.

10 **MS CHESTER:** Ladies and gentlemen, we will take a break from our public hearings now so people can stretch their legs and find a bite of food to eat and we will aim to resume at 1.30 pm. Thank you.

15 **ADJOURNED** [12.43 pm]

RESUMED [1.30 pm]

20 **MR COPPEL:** If you could take a seat and when you are comfortable, give your name and organisation for the record, and then if you have a short statement and then we will follow through with questions and answers. Thank you.

25 **MR DINHAM:** Thank you, very much. Brooke will lead off and then I will just finish with a one minute conclusion.

MS O'ROURKE: Brooke O'Rourke, Communications Director for the Floodplain Management Association.

30 **MR DINHAM:** Ian Dinham, Chairman of the Floodplain Management Association.

35 **MS O'ROURKE:** Thank you for the opportunity to appear today, and to provide a further contribution to your inquiry. The Floodplain Management Association congratulates the commission on your draft report. Coming up with the best, most sustainable and effective approach to managing the impact of natural disasters across Australia is certainly not an easy job. We applaud the commission's thorough and truly consultative approach to the task. There are three issues we would like to draw to the commission's attention today.

40
45 First, the FMA believes the primary aim of natural disaster related funding should be protecting communities against the destructive impact of natural hazards to the greatest extent possible. The best way of doing this is by minimising the vulnerability of communities to hazards through land use planning, building controls and, where necessary, mitigation infrastructure.

That is, natural disaster funding should be aimed at avoiding disaster in the first place. We are encouraged that the draft report recognises this and makes recommendations seeking to change the current balance and resilience, recovery and reconstruction funding.

5

The FMA welcomes the Commission's draft recommendations aimed at creating incentives for all governments, as well as individuals, to invest in mitigation. In particular, we support the recommendation to increase Australian government annual mitigation and expenditure to \$200 million. We urge the Commission to ensure its final report focuses on reducing the damage caused by natural hazards, rather than reducing the financial exposure of the Australian government.

10

The community is already paying for a lack of investment in mitigation, either through recovery costs or high insurance premiums, which brings me to our second point. The FMA's membership largely consists of New South Wales local councils with a growing number of Queensland councils. Without an increase in funding from another source, many of our members would not be able to meet the additional burden of rising from a reduction in Australian government and DRRA funding. Increased investment and mitigation will help councils manage this cost.

15

20

The benefits will not be immediate and natural disasters can never be eliminated. The safety net of Australian and State government assistance is vital for councils. Finally, the FMA would like to endorse the commission's view that deeper collaboration between governments, business and the not-for-profit sector is crucial to improving Australia's disaster resilience. The FMA provides a unique forum for these parties to come together in a regular and structured way to discuss flood related issues.

25

30

We also forge partnerships for the benefit of our members. Over the past two years we have had a focus on building a strong relationship with the insurance industry, given the recent emergence of widely available flood insurance. We are proud of what we have achieved so far as an organisation with a limited financial capacity. Our expertise and ability to represent our members has been recognised and supported by the New South Wales government over many years. With additional support from a broader range of government and business stakeholders, the FMA could make an even greater contribution to building disaster resilience.

35

40

MR DINHAM: Thank you. I hope I am not too mischievous, but I just want to take you back to the directive from the treasurer, and the FMA would like to emphasise that:

45

The inquiry should take into account the priority of effective mitigation to reduce the impact of disasters on communities.

5 We don't want to see that lost in the argument about funding and how it's going to be administered. That needs to be the primary focus. We believe, as we have said in our discussions with ministers previously, the money is being spent now already on post-disaster recovery and the mums and dads, through their higher insurance premiums, Australia is spending the money now. Let us find a way to make this happen as per the treasurer's directive.

10 We come here not just with problems but with solutions, and we would be very much appreciative of the opportunity in the future to talk on those, things like invest in the drought years. It doesn't happen that we get natural disasters, such as we have seen in recent years, every year. We have more drought years than flood years. We want to see a streamlining of the betterment process to achieve more durable assets. We would want to free up some red tape. Here there are some blindingly obvious solutions in some cases that just should be the "just do it" mentality rather than "let us have infinite number of studies to justify it". So let us cut some of the red tape where appropriate and put more money on actual investment that produces a reduction in costs and future costs than undertaking endless studies.

20 Of course, as you mention in your report, which is excellent, that appropriate land use planning – you might recall that in 1974 the flood in Brisbane inundated 4000 dwellings and the flood in 2011 was three feet lower and it inundated 14,000 dwellings and, in fact, Brisbane's 20 year plan caters for another 38,000 homes on flood prone land. So obviously something needs to be done to prevent an acceleration. Just some other couple of comments. The rural roads, you mention in your report, quite rightly need to be more durable. We can't build levees around everything, so there needs to be a better way of doing that.

30 Local councils are trying to make roads in rural and regional areas out of basically dirt. They don't have the luxury of some of the materials that the city councils have. So that is a big issue. And climate change, I might just mention that. I didn't see that mentioned in your report, but the thing of it is, we all recognise and talk about sea level rise and global warming, but we forget the predictions are for a 30 to 40 per cent increase in rainfall intensity, which obviously means more flooding, bigger floods, and more often. If we believe in climate change, then this work is essential.

40 In conclusion, I would just like to add to what Brooke said that we are Australia's peak body for flood plain management. We have something like approaching 100 councils now, given New South Wales, Queensland, Tasmania. Brooke is a lawyer, I am a civil engineer; we are typical of the dozens of people in the flood plain management association and we are there at your disposal, at your beck and call. We don't want to see this turned into another bureaucracy or another layer. We want to keep Mr Hockey's mission statement in mind, and we would be very happy to continue to work with you and therefore we urge you to include in your final recommendations that the

Floodplain Management Association be involved in further development of policies and so on to implement the suggestions and findings of your report. Thank you very much.

5 **MR COPPEL:** Thank you. And thank you also for the initial submission and the submission on the draft report. It's been very helpful. We want to ask a few questions in relation to that and also the comments that you have made in your opening statement. If I could begin – you made a reference to unnecessary red tape and prescriptiveness, and I think you are referring to the
10 rules that are in place for eligibility for recovery funds, and one of the big shifts in the draft report is to move away from the reimbursement model which requires some of these procedures to ensure that there is accountability and value for money in how funds are being spent, towards a model that gives an assessment of the damage, early, following a natural disaster, based
15 on deemed costs.

I know you have accepted in principle that as a positive, but you also mentioned that there are challenges associated with putting that into practice. If you could elaborate a bit more on what those challenges would be as you see them.
20

MR DINHAM: It varies from council to council and member to member in our case so, as I say, we are approaching 100 councils in our membership, and they range from Newcastle City, for example, right out to Dungog and
25 much further west, like Wentworth Shire right down on the border. So obviously the needs are different. The challenges with the funding – for most regional councils, they are large in area, isolated, they take time to estimate the damage. Most of the members have found under the existing system that the reimbursement model works as long as they can keep their cash flow
30 going.

So do a certain amount of work and invoice each month and, provided that the funding comes through, they can live with that. It's under a degree of scrutiny for roads, for example, under the State agencies, no work is carried
35 out unless it's approved by that State agency. So depending on the area, that can work. If, however, for some of those areas that take time to do the assessment of damage first and then get approval, what you are proposing would be better, and probably better for pretty well all councils, I think. So it's a good idea. We can live with the existing system.
40

What we are terrified of with this inquiry is the Federal government cutting back on the amount of money it's putting in, asking the States to put in more. We see there is a danger of that not happening. Assets won't be restored and the local council will be left with the problem. So that is the
45 major problem that we see. So we can work with the current system at our level, provided the State agencies keep approving the work. The other system would be better. It would be even better still if the money came

directly to councils from the feds, instead of through your State agency, but that is another issue.

5 **MS O'ROURKE:** If I can just add to that, the proposal that is in the draft report around the benchmarking approach, and definitely endorse the ideas behind it, giving councils and State governments greater autonomy, particularly where the idea is to say how if you get this amount of money and you manage to deliver the infrastructure at a lower cost, then there is extra money left over for the betterment of another piece of infrastructure. I think
10 one of our concerns might be that councils will continue to work to the benchmark, but unless there is some kind of explicit reference to betterment in some way, or some kind of explicit betterment component, that they will still continue because that is the path of least resistance, just to continue to work towards the benchmark in delivering on that reconstruction.

15 **MR DINHAM:** I might just add too that I was also referring to the process for flood plan management. If the Federal government wishes to invest in mitigation, we don't want that bogged down in study after study after study before the actual work is carried out. Apart from the post-natural disaster
20 funding, if there is a decision, well, let us invest 200 million a year in mitigation, we want that act to be seen on the ground, not to be tied up in studies.

25 **MR COPPEL:** In terms of distinctions of feasibility, you made a comment about remote local communities, as in small remote and also small population where it may be more complicated in practice on the ground, but there were the other areas where they have a larger rate base, larger site council in terms of resources where you would see the issues as being fairly – not necessarily
30 straight forward, but ones that could be handled in terms of a transition from the reimbursement model to a model based on deemed assessment.

MR DINHAM: That is true. The Newcastle, Sydney and Wollongong councils, for example, certainly have a lot more money than anything over the other side of the Great Dividing Range. So it's horses for courses.

35 **MS O'ROURKE:** And the level of expertise also within the council, I expect you are alluding to.

40 **MR DINHAM:** Yes.

MR COPPEL: Being Floodplain Management Association, I wanted to ask you, in relation to the mitigation fund where we are proposing that 200 million which is matched by State and Territory jurisdictions, the allocated or the per capita basis to those jurisdictions, and it has been pointed out that
45 some natural disaster impacts cut across jurisdictional boundaries and flood plains presumably be one of those. In that context, do you have any views on the proposed allocation of the mitigation funding on a per capita basis?

MS O'ROURKE: I know that some other participants in the inquiry have very strong views around that. I think we're kind of a bit agnostic about it, I think what we're concerned is to make sure that wherever the funding ends up, that it ends up with those projects that are going to have the biggest - it's going to deliver the biggest bang for buck essentially.

I think it was earlier in the day, if you had a white board and you put up all the projects that were ready to go, shovel ready, and you ran the ruler over them, would they end up being allocated according to a per capita basis, or would there be more in Queensland and only a few in Victoria.

It might be that it does end up being on a per capita basis, and I know that there was - looking at insured losses over the last 10, 15, 20 years, that it kind of does match up with per capita. But even that wouldn't take into account flood-related losses, because flood insurance hasn't been available over that period, or for only a small amount of that period. I think it could be workable, but I wouldn't want to see any other options being unnecessarily dismissed without being thoroughly explored.

MR DINHAM: Yes, we would like to see it run through a filter, basically, of where has the damage occurred in the past, so that we make sure we target the areas where it's going to get the - as Brooke says, the best bang for our buck. So if the per capita thing happens to line up with that, well and good, but at the end of the day, we're all about achieving Mr Hockey's mission in life, and that's reducing the damages out there.

MR COPPEL: If projects were identified at a higher scale, who do you think would be an appropriate body for doing a triage on where you get the best bang for your buck on those projects?

MR DINHAM: That would need to be a team effort. Brooke might have some suggestions there, but certainly insurance companies have their data on insurance losses, even though there's some years when insurance for flood damage wasn't available, it's still a reasonable indicator in recent years anyway, since 2008. So that would be a must that you would look at that. But as you say, you would need another little subcommittee of this to sort of look into that, I would suggest, and I encourage you to - you have to conclude like us, insurance companies, perhaps the round table people, and let's look more closely at that.

The per capita is certainly a nice simple way to do it, but is that going to fix the low hanging fruit first of all that needs to be done immediately?

MS O'ROURKE: I guess we'd also warn against creating bureaucracies for bureaucracy's sake. We're always concerned about setting up bodies just to administer funds, and it ends up soaking up half of the funds. But I do know

that there are bodies already in existence, they're still called NEMC, the officials body that advises the COAG body of emergency management ministers.

5 They've got a couple of subcommittees that could be potentially an option, however, I wouldn't say that we have any clear ideas on which body in particular would be best placed at this stage.

10 **MR DINHAM:** Yes, that's a big question as to how to come up with the best model, and not something we can come up with today.

15 **MS CHESTER:** One of the other issues that we've - the focus of our inquiry is around information accessibility and information - and flood information has been a key one there, and we've seen examples of where flood mapping data's been collated, both by the Insurance Council of Australia and by geosciences. It would be good to get your views on what are the impediments, if they still exist, to the sharing of flood mapping information, in terms of who owns that flood mapping data, are there any impediments to it being released or publicly accessible. Be good to get your feedback on that.

20 **MR DINHAM:** Well, in New South Wales there are impediments insofar as some of the consultancies that have carried out the mapping have retained ownership of the material. Others haven't. I think we're at - as an association we're advocating that all studies, the intellectual property then vest in either the council or the State government, to try and overcome that problem.

25 In terms of legal opinion, the National Food Risk Advisory Group, where we're also represented, is awaiting legal advice that we've sought since actually last November, whereby the data is collected for one purpose, and that is for information layers to control development and to design flood mitigation measures and so on, but then it's used for another different purpose, and whether it's suitable for that other purpose or not, and what decisions are going to be made from that, and so on, the legal eagles need to give us some guidance on that.

30 That perhaps, what we would suggest, in our submission, is that perhaps this inquiry look at ways of providing an indemnity for those councils who have that data against liability in that respect.

35 **MS O'ROURKE:** I think we also, in both of our submissions we talk about the perceived limitations, and also some very real limitations or barriers to councils in New South Wales and Queensland providing information to both consumers and insurers and anyone else who wants it. But sometimes there are very real issues, such as there's some councils who are doing studies by phase and don't want to only give part of the picture. So they don't want to release it phase by phase, they want to release it all one end. Whereas

insurers want to - are very much data hungry and they want whatever they can get now.

5 The other big issue I think is simply political risk. And I know that there's some very strong views around having a national platform for data, including things like hazard data and flood data. We would very strongly support further consolidation of flood data. A lot of our members say as part of the funding agreement to have this flood study done, we had to give our GIS data and our study back to the State government, so why can't insurance
10 companies go to the State government. And the State government says, well, that's not what we've been funded to do, we're just holding it as a backup, and it's actually the local council's responsibility to provide that kind of information to insurers.

15 I think in a lot of respects it surrounds communicating and having a clear idea about who's responsible for what. So quite often councils won't know they need to give insurers information. If they actually had a more consolidated platform, whether it's national or State or regional level, that they don't - it's just a matter of course they hand over that information to that
20 particular platform. Then there wouldn't be all that confusion around who's responsible for what and who needs to do what.

MS CHESTER: So that sort of addresses part of the accessibility issue, to the flood mapping data. The other issue that's been raised is with respect to
25 the efficacy of the flood mapping and whether or not there needs to be consistent guidelines applied to how flood mapping is undertaken across Australia. Be good to get your thoughts on that, and if you feel those guidelines are warranted, who would be best placed to prepare them?

30 **MR DINHAM:** Good question. It's an evolving science, flood mapping, actually. And I think the New South Wales guidelines are probably the best, the only thing is, you know, the time taken to get through it all. It's a heck of a big job, Australia's 3 million square miles, and probably 20 per cent of it is flood prone. So doing the aerial airborne laser scanning to get the
35 topographical models and then the hydraulic information where there's previously been no records made, it's a heck of a big job. So that tends to be why it's done in piecemeal fashion, as Brooke made the point earlier.

40 I think the Office of Environment and Heritage in New South Wales has a good grasp on this, and their advice is probably the best in Australia. With the exception of the Victorian model, which is a Catchment Management Authority basis by the State government, that too could also be a valuable source of guidance for a national model.

45 But Queensland is still - they don't have the same policy or guidelines as New South Wales, and neither really do the other States that are local council-based, or where local councils have the responsibility for flood plan

management.

5 **MS O'ROURKE:** I think there has been a fair bit of work done on the flood-related guidelines. The challenge is to make sure that the national guidelines then filter down to the State and then making sure that those who are actually dealing with flood plan management issues on the ground receive that information and understand that information, and not just for mapping but also for planners, people like that.

10 Just going back to the earlier issue around a database and accessibility and variance, so while we're referring to the councils having responsibility for mapping and releasing information, in New South Wales and Queensland, probably in Victoria it's quite different, as Ian just alluded to, where catchment management authorities are responsible, and the State government
15 has two very - there could be some room for improvement - some good databases for both the Melbourne area and for the broader area.

20 There seems to be a lot less community concern and agitation around the release of that information when it's at the State level. I think that's just removing that type of - and the concerns around property values and insurance premiums, removing that slightly from the community, that's actually affected - does reduce that political risk for the councils.

25 **MR DINHAM:** Yes, thanks, Brooke, I'd completely overlooked the National Flood Risk Advisory Group, which, as Brooke says, has just developed some national guidelines, and they're obviously the body to produce and oversee the implementation of national guidelines. And in fact one of their handbooks is to do with modelling and the guidelines for
30 modelling, so that would be a consistent approach across Australia.

35 **MR COPPEL:** I just have one final question, which follows up on the point you made in your opening remarks about unnecessary red tape. Can you give some examples of what you had in mind by unnecessary red tape in this space?

40 **MR DINHAM:** Basically I think I used the words where it's blindingly obvious, you know, like a levee for example at Rockhampton, that's - we've seen the examples at Roma and St George and so on of that, they are - we don't need to embark on the journey of paralysis by analysis for those particular ones. We want to see mitigation measures where they are really obviously the only option implemented.

45 What I was referring to is the New South Wales system, for example, it's a Rolls Royce system, but it requires several steps, which each take a year or so to get through. And I think whilst it gives you an excellent result, excellent community consultation, transparency, accountability, and it gives you an excellent result, it can take 10 years to get from today to when we

actually build something, because of the steps of modelling and analysing that, looking at options to deal with the flooding, picking the right options, doing cross benefit analysis, and so on and so on. And each one requires funding each year from the government to implement.

5

That's kind of what - I was probably a bit insulting by using the word red tape on that process, it's a good process, it just takes far too long. So we need to sit down and work out how we can do that better. And that's what I was referring to. If the federal government's going to invest in flood mitigation, we want to see that happen on the ground rather than get tangled up in bureaucracy and studies.

MS O'ROURKE: I think when we're talking about recovery and reconstruction funding; the stand out example of red tape would be the Betterment provisions at the moment, which as we know only one project in Tumut - - -

MS CHESTER: A swimming pool.

MS O'ROURKE: Yes. So I think that would be the stand out example there. We'd also be more than happy to take that on notice and get some more specific examples on some of the other parts of - if you're more interested in the recovery and reconstruction issues, then we can get some of that information from our members, if you're interested in receiving some more.

MS CHESTER: I just had one other quick question. Also contained in our report are a handful of recommendations around improving the transparency and accountability, and nominating a risk appetite for natural disaster risk and land use planning. Be good to get your feedback on whether you think those changes will go far enough, looking forward to better management of flood management risk, using that land use policy planning tool, which is probably the strongest lever for dealing with flood management in a non-legacy sense.

MR DINHAM: Definitely. That's something that we can implement now, without great cost, and prevent those 38,000 houses from being a future claim and a future national disaster in Brisbane. I think there needs to be some legislative changes for that. Councils are very much hamstrung by the legislation they work under and the right of appeal and so on. If you're imposing conditions on a developer, naturally that developer has a right of appeal. So there needs to be some clear cut guidelines if that was to work, because of that. Some councils are more able to do that than others, because of again, the western councils don't have any expertise and so on.

Tweed's an excellent example in New South Wales of a council that has tried to implement the best possible development controls to give the right outcome, and even take into account climate change, however, they're

5 hamstrung by one direction from the previous planning minister in 2007, that said you cannot impose flood-related development controls on residential areas above the one in 100 year flood level, so you get a Hawkesbury-Nepean situation where larger floods are going to kill people but you can't do anything about it as a council because your State legislation won't let you. So that needs to be addressed before it will actually work.

10 **MS O'ROURKE:** I think perhaps even more so than releasing flood hazard data, councils need that political support from State governments in making land use planning decisions. So they need to have some level of comfort and some level of support from legislation for the States to take on a bit more of that risk. For the moment it seems to have been handballed to the councils which kind of leaves them fully exposed.

15 **MS CHESTER:** While we are talking about handballs, there is a final sub-question to that one. It is who should have the responsibility for articulating what is the natural disaster risk appetite that is embedded in land use planning State by State. We have suggested in our draft report that the State government should do that because it's really through the SPPs. We have had 20 some post-draft report submissions that suggest it shouldn't be State government, it should be the local government. It would be good to get your feedback and thoughts on that today, and if not today, shortly thereafter would be much appreciated.

25 **MR DINHAM:** We might take that on notice, but ultimately the – councils in New South Wales, anyway, only exist at the behest of the State government, so we don't have any standing in the constitution. So it needs to be State legislation that fixes it up but it very much needs to be hand in hand with the local government practitioners and that is what we haven't had in the 30 past as per that example that I mentioned. Unless there can be some national legislation that requires State governments to have a consistent approach or something like that, so we might think about that and come back to you with an answer.

35 **MS O'ROURKE:** Particularly if local councils will remain responsible for mapping risk or understanding risk. They need to be involved in that process in setting the risk appetite. However, we would need to speak with our members and our partners in the OEH to talk about that.

40 **MR DINHAM:** In closing, if I could just say the money, let's not make that the problem. There is a future fund sitting there, there are loan funds available. We already owe, what, 200 billion in debt or something anyway, so what is another couple of hundred million here. Let us get the work done first and reap the rewards. As I say in closing, we had some discussions with 45 Michael Keenan, the Minister for Justice, who said to us, "Yes". We all agreed it's a no-brainer. The savings are there but we need to invest first to get the savings. Thank you.

MR COPPEL: Thank you very much.

MS O'ROURKE: Thank you.

5

MR DINHAM: Thank you. Thanks for the opportunity.

MR COPPEL: If I could now invite Swiss Re to the table.

10 **MS GAMEROV:** Good afternoon, Nicole Gamerov from Swiss Reinsurance Company.

MR IMLACH: Dominic Imlach, Swiss Reinsurance Company.

15 **MR COPPEL:** If you would like to make a short statement.

MR IMLACH: Firstly, we would just like to thank the Commission for the opportunity to appear here today. We reiterate that Swiss Re is committed to working with the government to help build resilience in our communities. At
20 the recent UN climate summit in New York, our group CEO, Michel Liès, committed Swiss Re, that by 2020 we will have worked with 50 countries and their various States and Territories on climate risk resilience and we will have offered them protection of some \$10 billion against that risk.

25 Swiss Re commends the productivity commission on its interim report, and today we would like to highlight our strong support for key recommendations as well as focussing on key messages from our own submission.

30 **MS GAMEROV:** Thank you, Dominic. In terms of the specific recommendations that Swiss Re supports, they are really three main recommendations. The first recommendation is the one that talks about increasing annual mitigation spending to 200 million, and I am sure a lot has
35 been said about that today. In particular, we commend the proposal to link the mitigation funding to best practice in terms of identifying the mitigation projects. So cost benefit analysis and the assessment of non-quantifiable impacts of mitigation. So the qualitative factors, we believe, are just as important as the quantitative factors. That is the first recommendation.

40 The second one we strongly support is the investigation of non-traditional insurance products for roads by State, Territory and local governments, and in particular the compilation of asset registers, road registers, asset condition and the maintenance of those roads. The third
45 recommendation which we strongly support is that State, Territories and local governments and insurers explore opportunities for partnerships and collaboration. In particular, sharing expertise and information, and again, encouraging private funding of mitigation through incentives such as reduced

premiums.

5 In terms of Swiss Re's own submission, we would like to take the opportunity today to emphasise a couple of points. The first point we would like to make again is that Swiss Re advocates the adopting of a holistic approach to risk management across all levels of government, Federal, State, Territory and local. We believe that this framework should incorporate four key principles: risk identification, risk ownership, risk mapping and risk management which incorporates accountability and incentivisation.

10 We believe that the Federal government has the opportunity to provide incentives for excellent risk management across State, Territories and local government. We also believe that all governments at all levels should develop a flexible and sustainable suite of tools as part of a disaster risk financing framework which should include risk transfer. So we believe that the framework should address both ex-ante and ex-post financing.

20 The economics of climate adaptation which is referred to in our submission embodies best practice and covers a lot of these risk management principles which we have referred to. An example that I would like to provide here is post-superstorm Sandy. Mayor Bloomberg called for a stronger and more resilient New York. Swiss Re was asked to do an ECA study and the findings were quite stark, both in terms of the increased potential frequency of such events and the increased levels of damage by 25 2050.

30 Swiss Re also recommends the appointment of a Country Risk Officer, or CRO. A CRO would take a holistic approach to risk management at a Federal government level and would look at the risks that either implicitly or explicitly carried on the government's balance sheet, and develop a holistic approach to risk management. In conclusion, Swiss Re stands ready and waiting to support Federal, State, Territory and local government in building the risk resilience in the form of providing expertise or bearing some of that risk. Thank you.

35 **MR COPPEL:** Thank you. Could I start following up on the comment on the collaboration with government on how to inform households and others of the risks associated with natural disaster. Do you have any sense of how that sort of collaboration could be organised? What specifically you have in mind in terms of what role could be played by the insurance industry and the reinsurance industry?

45 **MS GAMEROV:** I think that the first part is being present at a forum like this today. I think in terms of identifying the need to work together, we have a lot of the expertise in terms of identifying some of the disaster financing options which are available to government. So sharing knowledge and sharing expertise around claims management is just as important and then

sharing examples of lessons learnt from global situations.

5 We believe that, I guess, they are examples of things that have worked in terms of collaboration between the different stakeholders and then there are examples of things that haven't worked. So sharing all those examples would be important forum. ICA is a good starting case, but also we believe bi-lateral relationships are just as important.

10 **MR COPPEL:** In the draft report we suggested as a possible example of the trusted information sharing network, TISN. Do you have any views as to whether that sort of vehicle would be an appropriate one for such a - - -

15 **MR IMLACH:** It couldn't hurt, to be honest. I think we are going to see a move to more open-source information sharing anyway, whether certain individuals or companies like it or not, so I think it's how we grasp that and use that to the best advantage of what we are trying to achieve. We wouldn't see any sort of issues with that.

20 **MR COPPEL:** Could I move to a number of the specific recommendations which relate to funding, and I know this is obviously not your area, but we have made a recommendation that we move away from the reimbursement model to providing an upfront sort of grant based on the assessment of the costs and we are interested in how feasible it would be to quickly provide such an assessment based on deemed costs. We would be interested in your perspective on how practical that would be of public assets. But also we have in the second option, the ability for States to take out top-up insurance which relates to the threshold at which eligibility for re-imburement kicks in.

30 If you want to raise that also, the cost sharing arrangement of the percentage, so it's a form of insurance against a large fiscal shock and we are interested in how you think that sort of insurance product could be priced on an actuarially fair basis.

35 **MR IMLACH:** I think we have to take some of that on notice, if that is okay, and to respond. Did you want to add something specific?

40 **MS GAMEROV:** I think we wouldn't want to generalise. The way that we work is we need to look at the information that is available, and as everyone knows, the quality of the information across the different stakeholder groups has varied significantly, so it would be unfair to make a generalised statement as to how quickly we would be able to provide, I guess, sort of details in terms of risk premiums and those sorts of things. We would really have to look at it on a case by case basis, and it would really depend on the scope of what you are trying to achieve, so what type of perils are you talking about and what assets are you referring to. It wouldn't be fair to make a generalised statement.

MR IMLACH: Could I clarify just the first part of your question in terms of you saying that the settlement of, lack of a better description, claims post an event on a fairly quick basis.

5

MR COPPEL: To get some sort of assessment of the magnitude of the damage. The reason we ask for the insurers or insurers' assessors, this is a fairly standard practice, vis-à-vis the risks associated with your policy holders. Whether that same approach could be applied for public assets which are currently eligible under the NDRRA arrangements, so the question is really – and it's critical that it's possible to do this, how easy can you give a quick and reliable estimate of the damage post a natural disaster. And we are talking about essentially road assets, it could be bridges, public parks and so forth.

10
15

MR IMLACH: Again, I just reiterate, we will have to take that on notice but I think, if you look at the example from the New Zealand earthquake in terms of what happened there, in relation to assessment and quick settlement, it was fraught with a few issues and we would recommend that there are the appropriate belts and braces around that sort of process.

20

What we have tried to do to work on some of the complexities around, particularly infrastructure and roads and maintenance and condition, et cetera, is what is a solution that could be provided to overcome that, and one of the things that we have worked on is what we call parametric solution type covers which can be done at a reinsurance or an insurance level, such that it take out the complexities, and therefore on a simple index basis, if X happens, then Y is paid. That is a potential solution to that issue. There's appetite for that in the market, and we would recommend that that's something that the government takes into account when it's considering its mix of funding.

25

30

MS CHESTER: You mentioned before that there's - and we have had some evidence that there's been a lot of advances in these more non-traditional insurance products in the last sort of three or four years. So if there's been advances on the supply side, what's needed on the demand side for those products to realise their full potential? And I'm thinking in particular at a State and local government level, particularly State, when it comes to some essential public assets that aren't insured today.

35

40

MS GAMEROV: I think the incentive needs to be there to buy the cover. So in terms of the ownership of those assets and the consequences if there's losses that are suffered as a result of a natural disaster, that link needs to be there. So I think in the past there have been issues around the quality of the data and that I believe there have been advances in that over the last four years.

45

5 **MS CHESTER:** When you say data, is that data around the risks or is it also data around - you mentioned before supporting part of one of our recommendations about asset registers and having information on the State of the asset and what effectively is a replacement value or a benchmark cost of a replacement value. Is that what is partly missing in the equation for those products realising their full potential?

10 **MR IMLACH:** Yes. And I think it has been talked about in previous submissions and the hearing.

MR COPPEL: On the trigger for these parametric insurance products, is that trigger the threshold at which it becomes and insured loss, something which is variable?

15 **MS GAMEROV:** Yes.

MR COPPEL: And I'm interested in, with existing products, I mean, what sort of a disaster would trigger such a product and how that compares with the thresholds they would have for NDRRA.

20 **MS GAMEROV:** So I think the beauty of these parametric solutions and the triggers is that they are all bespoke solutions. So it would really vary widely from - depending on the entity that you're covering and the scope of perils that they're trying to cover. So you may have - there's some examples
25 in the US of State governments covering wind storm, where we're talking about coverage in the hundreds of millions of dollars. But that would really depend on I guess the State government's ability to pay for that coverage, and depending on the ability to retain some of the risk.

30 So once again I go back to our submission, and these sorts of products need to form part of a holistic risk management framework. They really can't be assessed in isolation. There should be a range of mitigation measures and risk transfer measures, and that parametric solution, if it is part of a holistic
35 approach, really needs to take into account all the other factors around risk ownership, risk mapping, and also what the future outlook is. So it really needs to be future looking rather than focusing on the past.

40 **MR IMLACH:** But I just say with these instruments, they are quite sophisticated in terms of how we analyse that. So we'd still be looking at then it gets back to the question around data, still be looking to get as much granular data as we can. So we're still looking at the risk, the vulnerability, et cetera, and then we'd be using our models - this is in the case of Swiss Re, but other parties would be using other third party models such as RMS.

45 To give you a specific example, the modelling would be done - let's just pick Queensland, where a Category 4 hurricane going through a specific defined geographical area, the correlation between that happening and

producing a loss of excise is high enough to suggest that the cover above a certain threshold is required and indeed would provide a good outcome.

5 **MS CHESTER:** You mentioned the role of the chief risk officer, which is related to some of our recommendations around the government having more transparency and accountability in terms of its liability exposure to natural disaster risk, and we talk about that in two streams, one is about provisioning for the costs of a program like the NDRRA, the other one is about the overall liability. And some people have suggested that it would require the federal
10 government for example doing its own catastrophe risk modelling.

So if we would assume the federal government didn't have that capability set at the moment, and they were to look to the private sector reinsurers and insurers to help them, could they just go to one service provider to get the
15 catastrophe risk modelling done for them, or are these models not contestable and they need to go more than one? It just be good to get a handle from someone like yourself, sitting above the industry in Australia.

20 **MR IMLACH:** We'd like to think that there is. You know, you could come to a service provider like ourselves. But what we do understand in today's world, particularly around governance, is that there would need to be some sort of independent advice as to the validity of the model, and indeed, when a lot of these - whether it's a parametric or a cap bond et cetera - is placed, it does rely on third party, even though we might be doing the modelling, it
25 does also incorporate third party independent advice around that.

MS CHESTER: Who are those third parties that would do that?

30 **MR IMLACH:** Typically there's - in Australia, I think most entities, whether they be private or public, would prefer to use a broker, a sophisticated broker. There are other specialised entities within the market. I'll use one particular, Risk Frontiers, here in Australia, that could be used for such purposes.

35 **MR COPPEL:** Another application of these catastrophe models that's been suggested to us is in relation to our recommendations that government provide some form of provision in their budget for natural disaster risks, where we've looked at a very simple sort of backward-looking method. The alternative is using catastrophe models to get a more specific number, we're
40 not thinking that you can put a great deal of accuracy on certain events which are large and unpredictable. But it would, if you were to use catastrophe models, dependent on how robust they are, now contestable they are, are you able to give us any view on that aspect of catastrophe models used for the purpose of budget provision?
45

MS GAMEROV: So for our own budget provisioning?

MR COPPEL: For Commonwealth or State governments, or local government.

5 **MS GAMEROV:** We can only comment on the efficacy of our own proprietary models, and obviously they impact our balance sheet, and so we have a very high confidence in our own models. But I wouldn't comment on the commonwealth government's provisioning and the models that they have used.

10 **MR COPPEL:** To put it differently, do you think the approach is one that could be used for that purpose, or is there something specific about the nature of your business that makes it something that works for you but not necessarily may be appropriate for a government?

15 **MS GAMEROV:** No, I understand your question now. No, there's no reason why they couldn't use a similar approach to the approach that we'd be using. And this is what we're advocating with the country risk officer, that that person would look at the risks and have a good handle on the matrix around those risks, and either outsource the modelling of what those actually are, in terms of quantity, or develop those risks - skills internally within the federal government. So there's two different approaches, either it can be outsourced or it can be in-sourced in terms of developing. But certainly that's something that the federal government can develop.

25 **MR IMLACH:** I think there's enough evidence within the commercial world that these models have been used for a significant length of time, both a traditional insurance capacity and also in investment capacity. I suspect that there would be enough evidence that the government could have a reliance on that.

30 **MR COPPEL:** I think we're done with our questions. So thank you very much.

MR IMLACH: Thank you for the opportunity.

35 **MR COPPEL:** Thank you for your contribution to the submission, thank you.

40 The next participant is National Insurance Brokers Association. So when you're comfortable if you could state your name and organisation for the record, and if you would then like to make a short opening Statement, thank you.

45 **MR BOOTH:** Thank you, Commissioners. My name is Dallas Booth, I'm the Chief Executive of the National Insurance Brokers Association. Just very quickly, our members are the very large and the medium size and the very small insurance brokers from right across Australia, including the large

international insurance brokers.

5 To answer your question to our friends at Swiss Re, Australia has the capacity, particularly through reinsurance brokers, to undertake very sophisticated modelling and analysis of all sorts of risks, and the insurance brokers and the reinsurance brokers are regularly advising multinational companies, governments and other organisations on the nature of risks that they might be facing, and also on options for the financing of those risks, including non-traditional insurance, self-funded captives, and a whole range of other funding mechanisms, and also insurance as a risk transfer mechanism.

15 Just in terms of an opening remark, I've tried to blend - in a short time I'd like to just blend both our original submission and our supplementary submission and bring it together. At the moment in Australia governments control what is built, they control where it's built, they control how it's built, and they control what it's used for. And I'm talking about all levels of government operating together. And governments also determine what community facilities and infrastructure are built in the vicinity of these properties.

25 Given that Australia experiences major weather events and other natural disasters on a very regular basis, we believe there has to be a comprehensive risk management approach to the whole question of the risks faced by the built environment from natural disasters and weather in Australia. And it's critical that those issues are addressed by all levels of government. It's critical that the risks are assessed and understood. It's critical that the risks are managed as far as is reasonably practicable and as far as relevant government funding and other funding can afford.

30 In that area the whole question of mitigation arises, and we welcome and support and endorse the Commission's draft work on changing the funding arrangements to have a greater emphasis on mitigation and prevention rather than post event funding.

35 So the assessment of risks must be done, the management of risks must be done, including mitigation, and the financing of the residual risks must be done in a transparent, efficient and effective manner, and the financing of these risks is what a considerable amount of the draft report is addressing.

40 Risk financing is done in really three ways. Either the individual or business or government carries the risk themselves. That's an uninsured scenario, it's also referred to as self-insurance. But if there is no insurance, it's an uninsured scenario. The second mechanism is through the transfer of risk through the ordinary insurance process, risk is transferred to an insurance company or an insurance pool, and in return for the payment of a premium. The third area of funding of risk is through some sort of community funding

of risk, normally via a government program and other support mechanisms, ultimately funded by the taxpayer. So there's really only three ways in which risk financing is realistically done in this area.

5 Our expertise of insurance brokers is in the second area of the risk, particularly in the second area, where risk is transferred into the insurance process. Insurance brokers are involved in the purchase of insurance on behalf of their clients, inevitably acting on behalf of their clients in relation to the purchase of insurance from the insurance market.

10

For the insurance process to work effectively, property insurance in particular has to be both available and affordable. There are serious questions about both of those issues in parts of Australia at the moment, both in terms of availability, the number of companies offering product into the market, the nature of those products, and secondly, the affordability of that cover when it is made available to the products.

15

I was in Townsville a week ago. The issues and concerns of our members in Far North Queensland continue both in terms of the availability for cover and the very, very high costs of cover. The net result is a very major concern amongst our members in North Queensland that very significant numbers of people are making decisions to not have – well, they don't have any insurance for their property at all, leaving potentially large members of the community exposed if we have an unfortunate summer with further cyclone events. I'm happy to elaborate on any of those matters or on the submissions. Thank you very much.

20

25

MR COPPEL: Thank you very much. In our report and in our consultations the role of information has been greatly underscored in terms of providing a better understanding of risks but also a better basis on which to price insurance and that has led to greater granularity and in those areas that are particularly exposed or vulnerable to hazards led to quite substantial increases in insurance premium which have driven these two issues of either under-insurance or non-insurance, whether it's linked to issues of asymmetry in recognising the risk or affordability issues. How do you then address this tension between affordability and the importance in the role that's played by insurance as one of the ways of financing risk or the residual risks?

30

35

MR BOOTH: Over time the question of affordability in most property insurance for most parts of Australia hasn't really been an issue, for two reasons. At the end of the day, on one hand insurance is an incredibly sophisticated process with great use of actuaries, sophisticated insurance modelling, reinsurance processes and reinsurance modelling, catastrophe modelling and so on. But if you take it to its basic, insurance is a very simple process whereby you have a set of risks, those risks historically have a cost and you just simply – the insurance is a process whereby the cost of a set of claims is distributed across the pool of policy holders contributing to the

40

45

insurance pool. It's a very simple process. The cost of claims being distributed across those who subscribe to the pool, or subscribe to cover and to get access to the pool.

5 In more recent times, particularly since, you know, since 2010, what is being found is that – and the evidence is in the draft report – is that the cost of natural disasters in Australia is now getting very, very expensive because as each year goes by more people are living on the coast and building more expensive buildings, exposing greater levels of property to greater levels of
10 loss. And so we've reached the point where the cost of the pool being distributed back out to the premium payers through the premium process is reaching, and in many cases, has reached levels that are not affordable. The cost of funding the pool in many places is just not affordable.

15 So that then says, well what do you about that. The answer to that is you've then got to go back to your risk management approach and say what can be done to mitigate the costs of claims coming out of that insurance pool to make those premiums more affordable. And the risk management approach is fundamentally what our first submission was all about, the need to have a
20 comprehensive approach, whether it's – and the suggestion that risks – about a chief risk officer is a classic example of how you introduce that approach. But particularly making sure that through the identification, the assessment, the ownership of the risk, having true ownership of the risk must be very clear, having incentives in place for steps to be taken by the people who own
25 the risk to mitigate the risks and ultimately to produce a situation where the premium – the ultimate premium pool that has to fund expected losses is ultimately affordable in the community.

30 The concept of risk management and mitigation in our view is now directly linked to the affordability of property cover in Australia and we talked to our colleagues and our members in North Queensland and that is absolutely the case.

35 **MR COPPEL:** In a separate inquiry there have been a number of proposed suggestions on dealing with this issue and North Queensland have put forward the idea of an aggregator, greater competition in the market. They seem to suggest that there's some sort of lack of competition and that more competition could lead to lower premiums and address affordability through that avenue. Your response seems to suggest that it's really – it's not so
40 much the cost of financing that residual risk but the level of the risk itself. Is that a fair statement?

45 **MR BOOTH:** Look, that is a fair statement and the Federal Government made announcements last week in terms of some initiatives which they are promoting for North Queensland. Ultimately it's the cost of claims which is going to generate – it's the cost of claims which influences the premiums that people are going to have to pay. There are now two reports by the Australian

Government Actuary indicating that the costs of premiums for strata insurances in North Queensland is not excessive, in actual fact it's gone up very considerably in the last three or four years, but it has now probably reached the true level of the cost of risk.

5

The fact that it's a true reflection of the cost of risk doesn't help the people who own strata units in North Queensland and cannot afford to pay the strata levies in order to buy – to enable the body corporate to buy the insurance. And that is a very real issue today. So we welcome the suggestions and we endorse what the government is trying to do to make sure that – they're trying to address the supply issue, of getting supply into the market place. But at the end of the day, whether it's local insurers, overseas insurers, anybody really, and also reinsurance support, everybody says well whereabouts is the – where are these risks located, what's the weather in those locations, bang, you've got the picture of a – I don't know whether you've seen the picture of I think it's a weather bureau map or a weather bureau picture of the North Queensland cyclone experience over the last 100 years.

20 **MR COPPEL:** Yes.

MR BOOTH: It's an absolute bowl of spaghetti. So the reality is there and so for us it really puts the – it really drives the pressure back on the risk management risk mitigation approach in order to keep the levels affordable. I'm sorry I haven't been here all day – the evidence by the Flood Management Association of the number of properties affected in the more recent Brisbane floods, even though it was a – the level of the flood was a metre lower than the last big one, dramatic. And that's a massive cost to the whole process.

30

The problem for North Queensland is that because everything is right on the coast the potential for damage is great; the experience of damage is great. You've got the numbers on all of that. Ultimately the number of premium payers, the number of policy holders is not very large at all. So that the true risk you're talking about is the risk of whether in North Queensland you're spreading a very large cost against a relatively small number of policy holders; the equations don't work in terms of affordability.

35

The other issue that happens here is that in the broader insurance market insurers will not put their capital behind policies unless they are confident that the pricing that they are charging is actually a true reflection of the risk. So when they're not sure about what the true cost of risk is they actually withdraw from the market place and many insurers have clearly withdrawn from the North Queensland market because they're unsure about the true costs of risk. But those who are there try and make sure that they've got their responsibilities to their shareholders, they've got responsibilities to APRA to make sure that they're actually pricing in a truly reflective way. And so the

45

availability issue is very real. The affordability issue is critical at the present time.

5 **MR COPPEL:** On this issue of the true cost of risk and uncertainty as to what that cost is, is that linked to lack of information on the nature of the risk or on the nature of an individual property's exposure to the risk?

10 **MR BOOTH:** Possibly both. Queensland has a long history of cyclone activity, but whether it's going - over the space of 10 or 15 years you know you're going to get some but you don't know which year you're going to get them. So there is that issue, and so what the correct pricing is we're not sure. After 2011, 2012, pricing really did go through the roof. The true costs of those claims became apparent.

15 It's a credit to the Australian insurance industry that despite global financial crisis and the costs of natural disaster claims, a real double whammy for general insurers in Australia, the companies remained capitalised, they remained strong and they met their claims obligations. The real cost, in fact, the real cost to the Australian natural disasters in 2010 to 2012 was carried by
20 the reinsurers, and a very substantial amount of overseas money came into Australia through that process in 2011, 2012.

The true cost has been felt by the industry but it's also been felt by the reinsurers. So the worldwide insurance markets know what happens in
25 Australia. The question of data which you asked, we at NIBA don't have a huge research capacity by any means. I've read the submissions by the business roundtable on resilience. So far as I'm concerned there is some very, very good work has gone into the preparation of those submissions and we would certainly endorse the thrust of those submissions, both in terms of
30 having collecting very good data and having that available and then having that analysed and disseminated in a way that informs and assists this whole process of risk assessment, risk ownership and risk management.

35 **MS CHESTER:** Dallas, in your post-draft report submission to us, you touched on the issue of what role for government, given the affordability of insurance and particularly in North Queensland, and touched on the idea of potentially an insurance pool, I'm just wondering how an insurance pool would sit with the objectives as you mentioned before of risk ownership and effective risk management going forward if government were to intervene in
40 that way.

45 **MR BOOTH:** There was a comprehensive report prepared on the issue of natural disaster insurance, it was led by John Trowbridge. It was done in 2011. That report, ultimately, was done in the particular context of flood and that report recommended a flood insurance pooling mechanism sitting above the normal market place in a reinsurance type capacity providing a mechanism by which you could distribute the very high cost of the few

across a very broad base. Because that's the nature of the issue for flood, you have a very small number of properties are susceptible to very high costs of loss.

5 In relation to wind, essentially the same thing happens. You have a relatively small number of people subject to very high cost – North Queensland. And I noticed – in fact I refreshed my memory whilst I was sitting here – that report, whilst specifically prepared in the context of flood, also has recommendations in the context of wind and cyclone. The beauty about that is Australia already has a government reinsurance pool for terrorism. There was total market failure in relation to terrorism risks following 9/11 and the World Trade Centre. The insurance market totally withdrew from providing cover.

15 The Australian Government set up the Australian Reinsurers Pool Corporation. It is essentially a reinsurance process. It's a reinsurance process that sits above the insurance market and provides – and through that reinsurance process it actually provides reinsurance protection for the risk of terrorism in Australia. It's designed in a particularly smart way so that if at some point the insurance market becomes willing to provide terrorism risks, the Australian Reinsurance Pool Corporation will basically withdraw and the normal markets would return.

25 I think it's really important to say when you have either total market failure in that case, or very, very serious market conditions effecting both availability and affordability, we believe that it can be relevant to look at alternative funding mechanisms. The natural disaster insurance review report did just that. I'm not aware that that report or recommendations have been specifically rejected, but certainly both the former who it was delivered to and the current government have clearly shown no interest.

30 **MR COPPEL:** Is this the Trowbridge?

35 **MR BOOTH:** Yes. The NDIR report from 2011. We reference it for this reason. All the talking to our members right up and right around - but particularly right between here and up to North Queensland, but the issue was - North Queensland issue was wind, if you take out the issue of wind the risk profile is exactly the same as the rest of the country and the issue - and it is effectively not an issue. So, the risk profile is wind, so the challenge would be just as the current reinsurance pool organisation provides a pool for terror or terrorism risks, clearly you would - the NDIR report was talking about a pool for flood - sorry about the language there, but still.

45 North Queensland has a particular issue for wind, and so that is - essentially what we are saying is that, yes, there are moral hazard issues, there are all those other issues, but when the market is not delivering protection, risk transfer insurance and protection for the community at a cost

the community can afford, it then becomes an issue worthy of further consideration.

5 Because if Queensland gets a whack this Summer there will be very - we fear there will be very substantial community distress and disruption because of what we fear are very high levels of under and non-insurance.

10 **MS CHESTER:** How do we avoid the problem then, given that - and I appreciate you have made that there are very important distinctions between terrorism risk and the market value that occurred there versus flood, where there isn't a market value, it's just now being priced appropriate, well, to avoid the risk. How do we then avoid the issue through the pooling mechanism of just further encouraging people to live in those high risk areas?

15 **MR BOOTH:** That gets back to the critical importance of a management ownership and mitigation process, we would suggest, led strongly through COAG. And that's where it has to come from, it has to be led strongly through COAG and it is only through a very strong risk ownership, risk management, risk mitigation approach. We are not experts on the funding processes for that, so far as I'm concerned the suggestions and the draft recommendations in the draft report, for me, make very good sense. We are not experts on Commonwealth/State financial relations, but there has to be a different way, there has to be a better way than post-event funding, what's happening at the moment.

25 The thing is there, the States and the local council probably do own the risk, but if the Federal government keeps coming in and providing the money, well, they don't really need to do anything. So, there has to be some degree of accountability for that, for their own actions. But it has to be a true COAG led approach so that Australia does everything reasonably feasible.

35 It gets back to my opening remarks about government actually controls what is built and where it is built and how it is used, and the standards to which buildings are built. Governments control all this stuff, so governments are having a direct impact on the nature and the size and the scope of losses when natural disaster hits.

40 **MR COPPEL:** Just on that point, the Building Code will apply, especially when there are changes or a particular overlay like in North Queensland when there is a major modification or a new construction. It came up this morning that property owners may have an incentive to upgrade the way in which their roof is attached to the house for instance, if they could then see a reduction or a lower rate of increase in their insurance premium to reflect that lower risk. So there's a bit of a chicken and egg problem in that they won't take that measure unless they can see that there will be sort of a pay-off down the road, and there's always a risk that that won't come through.

5 It has also been suggested that it's not possible to price at that level of
granularity or there may be other risks that they simply trump what can be
done in terms of an individual property owner, it really needs to be at a larger
scale. Do you see any - is this an issue in this particular area and are there
ways in which you can sort of break that nexus so that there is that
momentum that is built to take action that could reduce the exposure to those
risks?

10 **MR BOOTH:** It's happening today. It is happening today. So, I don't know
whether the people from IAG gave you that, but one of their brands is CGU
Insurance Company. CGU is doing building-specific risk assessments today
in North Queensland and there have been a range of properties where they are
now reducing insurance premiums, these are strata buildings where they are
15 doing individual building assessments and they are reducing premiums by 12
to 15 per cent on average as a result of their having a better understanding of
the true circumstances of the building, and particularly the building qualities.
So, that is an example of the extent to which the insurance industry is now
moving to, very granular assessments of risk on a building, on a property by
property basis.

20 Our members are still getting examples, or giving us examples where
there are areas where that is not the case, so there is some - apparently some
rating is still being done by some insurers on a postcode basis or whatever.
And apparently in North Queensland there are some very large postcodes and
25 people literally miles from the coast are still being charged coastal type
premium levels. Now, that is just unfortunate, but certainly there is no doubt
that the insurance industry is moving towards property specific risk
assessments and risk rating, and that is actually being reflected in premiums,
and I think that will be the increasing experience in the future.

30 My recollection is that Queensland building standards were improved
around 1985, thereabouts. The buildings under the new thing are coping
quite well, and that is generally accepted, the concern will be the 1950s and
the 1940s building which are still there, and if people haven't got the
35 resources to make any necessary repairs and modifications, I suspect that
many of those buildings are now regarded as uninsurable because literally
they will just blow away if the wind comes along. So, that is an issue there
as well.

40 **MR COPPEL:** Well, thank you very much.

MR BOOTH: Thank you for the opportunity to provide those comments.

45 **MS CHESTER:** Thank you.

MR COPPEL: We did have scheduled a coffee break but what I'm
proposing is we move straight to the next participant, Risk Frontiers, and then

following that we will have a short coffee break. So, if Risk Frontiers make their way to the table, if you could give your name and organisation and then, when you are ready, a brief opening Statement, thank you.

5 **MR McANENEY:** We only came for the afternoon tea.

MS CHESTER: No such thing as a free afternoon tea.

10 **MR COPPEL:** We understand you have a flight back, you have to leave at 3.20, is that right?

MR McANENEY: Yes. Well, before 4.00 anyway. John McAneney, I'm the Managing Director of Risk Frontiers, which is an R and D company based at Macquarie University.

15 **MR VAN DEN HONERT:** I'm Rob Van Den Honert, also Risk Frontiers, Deputy Director.

20 **MR COPPEL:** Thank you very much for your submissions. If you would like to make an opening statement?

25 **MR McANENEY:** Yes, all right. Just very briefly, I mean we like the key points that emerged from your report, we have no issues with those. We have some small points of difference on detail which we can talk about. I guess one of those is that quite strong use is made of the normalised data from the Insurance Council of Australia, I guess I'd like to see Risk Frontiers referenced when that is used. That was a database that had been abused over a long period of time before we took it under our care, and it's sort of an important - now an important international resource and it's one of the few
30 databases where it takes into account the improvements and construction standards.

35 That was one. I think there is a comment somewhere which I wasn't able to find again today, that disaster funds or recommendations that disaster funds be disbursed according to population, I think we can do a lot better than that now. And I think the previous or/and earlier speakers from Swiss Re may have mentioned the suite of catastrophe loss models that Risk Frontiers has, and it would be quite easy to price that or to price cap on it.

40 The other databases that are not mentioned - and this isn't an oversight on your part but probably ours for not mentioning it - since 1985, that's sort of almost 10 years before Risk Frontiers began, we've had two people working on a disaster base called PerilAus, so it's the most authoritative database of events that have either caused loss of life or material damage to
45 property.

So about since 1900 when we think it is complete, it has somewhere

5 between 14 and 15,000 events from 19 different perils. It has spawned at least 20 scientific papers and it is continually updated and proved, so I think that's a resource that should be mentioned. It is a proprietarial database but increasingly we are using it for joint studies with the Bushfire and Natural Hazard CRC.

10 We have other databases over the flood exclusion zones which map all properties in Australia to their distance from bushland and, again, that is an important - no, sorry - that is all properties to either on a flood plain or beyond the extent of flooding and the maximum possible flood, the biggest imaginable flood if you like. And we have similar databases for bushfire in terms of distance from the bush.

15 The report mentions a little bit about duplication between Geoscience Australia and ourselves in terms of providing data. There is no duplication because NFROP doesn't contain any data at all, it merely directs people back to their local council and often to a technical flood report, it's not very helpful for estimating the risk to any property.

20 So NFID, the National Flood Information Database, provides the data, the content if you like, that could make NFROP or some other database, maybe even the National Map, useful in that respect. NFID also has the benefit of being continually peer-reviewed by insurers and also by customers of insurance who are complaining about the assessment of risk. So, there is a lot of effort going in to try and update that. Most of the problems come down to issues with the underlying data, but where there are things that we can fix, we update that in quarterly reports.

30 I think the only other thing I wanted to mention upfront is the report is quite strong on cost benefit analysis, and I know that is a favourite tool of economists, and don't have any issues with it. But it sort of compares it unfavourably, or multi-criteria decision analysis unfavourably with cost benefit analysis and they really are quite two different things. Of course multi-criteria decision analysis is a framework for making complex decisions where there are conflicting attributes of the problem or criteria, and also many stakeholders.

40 These are typically the sort of problems where you need a politician to make a decision, and it can take advantage of cost benefit analysis, but we think that the criticisms of MCDA, or multi-criteria decision analysis, are sort of ill-conceived really.

45 **MR COPPEL:** Thank you. Reading your submissions and also your statement, and much of the other information that we have put together, led us to the conclusion that it is not the availability of peril information, it is really there's an issue, it's the accessibility to that information and certain risks and how it is, to the user, on how it is used or interpreted. And listening

to you in your statement you have indicated another source that I wasn't aware of that provides an even more extensive source of information on history of natural hazards. Is that - do you take that as a fair statement?

5 **MR McANENEY:** Yes. I think that's a fair summary. Yes. And increasingly as the last speaker mentioned, insurers are using that type of information to be able to price at a street address level.

10 **MR COPPEL:** But we've also heard that there's an argument in favour of having a national framework or a national portal to bring foundational data together. My question then is where do you see gaps in the existing information that you would see as important gaps to be filled in terms of informing assessment of risk?

15 **MR McANENEY:** I think if you go down to particular properties or catchments, you will probably find you'll be able to enumerate a large number of places where the information is either lacking or incomplete. But there's a lot more information than I think is generally accepted. And the real problem I see is that the people who don't know about this are the consumers. So the only mechanism that exists now is if you get a really large insurance premium in the mail that tells you that, you know, the insurer thinks that your property is at risk.

20
25 But there's no easy way, as a consumer or a person before you buys a house, of actually finding out this information. So we have it but, I mean, we fund our research agenda by a licensing IP, so, you know, that has to be – someone has to pay for that basically. And so far there doesn't seem to be a lot of interest on the part of government anyway to – well, the previous government to try and take advantage of that.

30
35 **MS CHESTER:** John, drawing on your experience and your insights around NFID and NFROP, about who plays, I guess the role of pooling together risk data around natural hazards, it would be good to get your thoughts and feedbacks on – there's been a call for – as Jonathan said, this sort of national platform, national portal to bring together what's called foundational data around geocoding, elevation and topography, and that that is seen as an impediment to effective natural disaster risk management across Australia. It would be good to get your thoughts on that and then who you see as sort of the key gatekeepers to the information that's needed to manage these risks.

40
45 **MR McANENEY:** I think there's a view in some parts of government, that in this standby government it's not very good and so I think if people were to start to reinvent the experience that I've talked about with the databases that we have available now, including NFID, I think that would be a complete waste of time. I don't really have a problem where that information sits, I just think it needs to be out there so that there's transparency on all sides, really. If I want to buy a house somewhere I'd like to know if it was a flood

risk and I could probably assess the bushfire risk. But generally those things don't take part in decisions.

5 There's no reason why the NFROP couldn't – the pool for GA couldn't be improved to provide that information available. In terms of the other things you mentioned, the digital terrain maps and the topography and those sorts of things, I think probably that is something that's better done by government. You can already download I think 30 metre DTM that comes from satellite information. I think we get that. I think we get it through GA, 10 but I'm not absolutely certain. GA have also done quite good work – I think it's quite old now – on vegetation maps and those sorts of things.

15 In that sense, they do quite a good role. But I think in general, government has been quite – particularly if you take away the climate change interests they've been largely silent on providing thought leadership on this type of problem. So I don't know if I've answered your question totally, but I talked around it.

20 **MS CHESTER:** So there is an issue, then, of accessibility and you think that there is a role for Commonwealth Government in providing that data?

25 **MR McANENEY:** Yes. Providing the medium by which that data becomes available. It seems sensible to me that that's a government responsibility. And NFROP might be one of those vehicles. I don't know. There's also the – which I don't know much about – but the Department of Communications nation map which I think is sort of aiming to do the same thing, not in a natural hazard space but it could be adapted to that. But certainly the NFROP in itself, really just taking people back to their local council to a flood map isn't helpful at all.

30 So NFID, for example, I mean it takes that data from the councils and then analyses it to give the flood height at each return (indistinct). Now, there are some parts where not all of those flood levels exist and there are other where you only have the one in 100 year flood extant in the worst case. But all of that information is put in there and it's also characterised on the basis of its 35 quality. So I think we should be able to build from this and, you know, that wouldn't be very hard to find out where the gaps are and also where better flood modelling is needed. But, yes, at the moment, the people who have that are ourselves and the insurance industry and no one else.

40 **MR COPPEL:** You made the point about it's often the consumer who doesn't know the exposure to the risk and in our draft report we put forward a number of proposals on how to improve the – or to reduce the asymmetry between the information that's there and how that information is understood 45 or recognised, through, for instance, better consistency in vendor statements or it would be in contract renewal for insurance, but that information – certain basic information be provided to give a greater awareness of the risk.

5 I know this is a bit different from your area but it's related and I'm wondering if you have any views on it and how best to communicate the information that comes from these areas for the mapping exercises at a consumer level to be able to engender a form of treatment – risk treatment or at least awareness of the degree of risk that they are exposed to.

10 **MR McANENEY:** Well, what I would like to say is – I mean, it can be done through the insurers. They might all take a different view on the risk slightly, I mean in terms of what it means to their companies. But I don't see why you can't, today, have an online system where you log in your address and then you come out with a summary of the natural hazard risks or information that helps you assess it. And that's – I mean that's – it's a simple job that could have been done in a few months, and still can be.

15 **MR COPPEL:** I think Victoria may have that.

MR McANENEY: Yes. They might have it for some risks.

20 **MR COPPEL:** For some risks. Yes.

MR McANENEY: I'm saying that it can all be done for all of them, really. And that seems to me that that would be a better – better than relying on the insurers to divulge what they thought the risk was.

25 **MR COPPEL:** Would that be enough in a sense, because often it's the manner in which or the interface in which that risk gets communicated and it's been suggested that people don't read full insurance public disclosure documentation. It seems a real challenge to be able to – if you recognise that that's not happening how to communicate in a way in which you do engender
30 a response.

MR McANENEY: Yes. I mean trying to get people to take that seriously there's always going to be an issue, but it seems to me almost a second question to whether you – it's not a reason for not making it available. I
35 mean if it was divulged at the point of sale I think that would probably get round it because it would mean that a lawyer would have to look at it and there would be some discussion overtly. So somebody might still want to live in the house near the bush because that's their preference, but then it becomes their responsibility.

40
You also talk about the land use planning problems and I think in my response to your draft document I mentioned again the issue in Victoria of bushfires where our studies that we did for the Royal Commission through the bushfire and natural hazards CRC showed that 25 per cent of those homes
45 that were destroyed in Marysville and Kinglake were within a metre of the bush. I mean there's absolutely no way that they can defend those homes under those sort of conditions at the time. 60 per cent were within 10 metres.

5 You had all of that and you can make the same arguments for flood and I think the previous speaker mentioned the development that happened in the same area that flooded in 1974 and the 2011 Brisbane floods. So that sort of activity is happening all over the country and unless it's clear that what the risk is – and I'm not sure exactly best to do it, then that's never divulged or taken into account in the planning process, land use planning process.

10 **MS CHESTER:** In your opening remarks you touched on the issue of how best to allocate the mitigation expenditure that government might set aside and - - -

MR McANENEY: Sorry, the?

15 **MS CHESTER:** The mitigation expenditure. The \$200 million which will be matched by the States, so \$400 million annually. And you're suggesting that it be allocated across States on a risk-rated basis, and you're right, we use the insurance loss data as a bit of a proxy, but I appreciate that it has some constraints particularly around floods and also hail which would skew
20 those numbers. How do you see that being allocated? What sort of data base or what sort of analysis would underpin that allocation so you get it on a forward looking risk-rated basis.

25 **MR McANENEY:** I think that's what the catastrophe loss models would do. So we have them for tropical cyclone, earthquake, flood, bushfire and hail. Now, you can blend that information with historical data base and perils as well, and Rob's done some work like that for the Queensland Government. But I would envisage you would create a residential portfolio because we know where those houses are. We know roughly the cost of them in different
30 parts of the country. And then you could just run those models and see how those risks vary and I think you'd get quite a different story because certainly when we did the work for Queensland there was a lot of concern about bushfire, but it's obviously a fairly modest risk in Queensland. But I think there's been, I'm guessing, a sort of a misallocation of funds across the
35 different hazards.

MS CHESTER: So where you've done that analysis for other parties, has it materially departed from what you would get if you were to take the insurance loss data and deal with some of the out-layers like hail or the
40 absence of flood insurance?

45 **MR McANENEY:** Yes. You do get a different picture because what you're trying to do is simulate about 50,000 years of plausible events and so within that period you will find hundreds of years where there's hardly any – well, (indistinct) for effect, but you get a very different loss experience across those simulations. So it takes all of those into account and looks at the distribution of losses in a way that's much, I think much more useful. And

that's the sort of information that the insurers and reinsurers are using to price their risks. So at least it would be consistent across that whole spectrum of interest.

5 **MS CHESTER:** So if we were going to ask a reinsurer and insurer today how do the risks in a forward looking sense by State look, compared to us just looking at the proxy of the historical insurance loss data; they would be able to tell us?

10 **MR McANENEY:** Yes. They may be. Risk Frontiers is the only organisation that has loss models for all of those perils. Some of them have their individual models. And there's several large global modelling companies, RMS, AIR and EFICAT, amongst others that – well, they are them really – that also has some of those perils but not all of them. So some of the people – and the insurers often are playing in different spaces. Some of them are mainly interested in risks right at the top of the portfolio and others share that risk right down through the different layers. But, yes, I'm not sure whether the reinsurer would be the people you would go to. I would, I guess, point you back to Risk Frontiers.

20 **MR COPPEL:** In your submission on the draft report you make the comment that there are a number of government agencies that collect but don't make it available, and some of the river gauge information that the Bureau of Meteorology collect, isn't in the public domain. So there seems to be sort of an issue there and I'm not quite sure what is the obstacle to doing that.

25 **MR McANENEY:** Yes. I don't know what the obstacle was but we proposed using that data in a couple of case studies to do some modelling in catchments in New South Wales and Queensland, I think. Because if you've got the topography and you've got the river gauge data there's quite a lot you can do, even without complicated hydrological modelling. And certainly there was a lot of excitement at the technical level when we were dealing with these people.

30 **MR McANENEY:** Yes. I don't know what the obstacle was but we proposed using that data in a couple of case studies to do some modelling in catchments in New South Wales and Queensland, I think. Because if you've got the topography and you've got the river gauge data there's quite a lot you can do, even without complicated hydrological modelling. And certainly there was a lot of excitement at the technical level when we were dealing with these people.

35 As soon as the project went further up the tree it got squashed and it was never very clear why but they did point to the – the reasons I put in there, they were worried about the data being used incorrectly. They were worried about the data's accuracy. They were worried about the fact that the Bureau didn't own it all and sometimes different people who recorded it. So again, you come back to this IP ownership thing. Whether that – I don't know the waiting between those reasons or whether – you know, it surprised me, I suppose. Because we expect it from councils often. We've been collecting this data since the late '90s and it's improved a lot now with the insurance council involved, but it's always been hard work for those same reasons.

40 **MR COPPEL:** May I ask how you deal with IP ownership issues? And you

maybe soliciting information that you don't have intellectual property ownership for, people who may be using that information have access through Risk Frontiers. Is there an issue of liability?

5 **MR McANENEY:** No. Well, the data has always been – there's a very complicated legal document in place between ourselves and the Insurance Council of Australia and their members. But in terms of the council's – it turns out there's only, I think, two or three that have put constraints on what we can do with the data. But it's always been given with the understanding
10 that the insurers will get the processed data from us. There hasn't been the issue. I think it's more that they're worried about liability and they're also concerned that their rate payers will end up paying higher rates. But I mean recently we had an example and maybe Karl Sullivan mentioned that where
15 in the Tweed we reduced the number on the basis of newer modelling, the number of addresses exposed to the one in 100 fell from 16,000 to 8000. So I think what they don't recognise that in the absence of data insurers are still going to have to make a decision and they will price on that uncertainty.

20 **MS CHESTER:** One other issues that has come up in relation to the metadata and the modelling is consistency of use, and I guess that also goes to the heart of local government having confidence to be able to make the hard land use planning decisions behind a flood map. What's your sense of the need for those guidelines at a national or State level and who would be placed to do them?

25 **MR McANENEY:** I think probably consulting engineers who do that. We do a little bit of it internally but not for – yes, just for our own education, really, and checking on things. I think there probably is – some guidelines are probably needed. We've seen recently, although the – with LIDAR data
30 for example, that some of the modelling that we've seen as being quite poor and I think part of that is that their preoccupation has been climate change rather than trying to understand the existing risk. But probably there should be some minimum standards and there may even exist de facto standards that engineers already use. But, you know, you want a lot more detail in places
35 like the Hawkesbury and the Brisbane city risk, than you do of, you know, a small outback country with a few hundred homes. So I think there's got to be some recognition that they marry detail to the risk.

40 **MR COPPEL:** Okay.

MS CHESTER: Yes. Thanks.

45 **MR COPPEL:** Thank you very much. We will take a short break and reconvene at 3.30 with Beatty Legal.

ADJOURNED

[3.21 pm]

5

MR COPPEL: Welcome. If I could ask you to state your name and organisation for the transcript record, and then invite you to make a brief opening Statement.

10

MR BEATTY: Sure. Thank you very much. My name is Andrew Beatty, I'm a Principal of a small law firm called Beatty Legal. I'm accompanied here today by my colleague, Ms Ballanda Sack, and by my colleague Marlon Shou, The Commission got our submissions in June, I have reduced those to a handful of speaking points which I believe you also have, I will go through them very quickly.

15

But I guess what I'd like to do just as an opening would be to frame the environment in which the comments have been made so that you can understand why I say what I say. The first is that Ballanda and I have, over the last couple of years, and me even longer than that, seen it first hand how many local government authorities, particularly those on Australia's coast, struggle with taking hard decision about what gets built where and how.

20

This is especially because of a handful of factors that are, in my experience, are fairly common to most of these authorities. The first is that there is an increasing level of incredible science about where risks lie and how risks are likely to increase over time. Secondly, there is pressure on the Local government authorities, usually from State governments, to permit development in sometimes quite risky areas, and that is an unconscious thing as opposed to a conscious thing I suspect.

25

30

There is a degree of flip-flopping by State governments either just before or just after elections around issues associated with, for example, sea level rise, and we have seen that in three jurisdictions with which I am familiar in the last State elections. So, it often makes it quite difficult for local governments to do forward planning if today this is sea level rise you must take into account and tomorrow that is not a policy anymore, take your own advice and good luck.

35

The other of course is that we see this decision making taking place in an increasingly litigious society, especially around development and planning appeals and what have you, but increasingly in the context of a now fairly mature jurisprudence on climate change, and the reality of climate change and the allocation of risk in decision making around development that may be affected by climate change in the future. And that has got a lot of local councils quite spooked, all of that in combination.

40

45

Our recommendation, that there be a provision akin to section 733 of the New South Wales Local Government Act in other Australian States and Territories isn't going to fix those problems. But it will, I think, send a fairly powerful signal that, firstly, these issues are important and they're specific issues, 733 is a quite specific provision, unlike the general indemnity provisions which many public and private offices, including yourselves, enjoy under your own legislation.

Secondly, it would send a signal that Local government authorities are expected to do what their statutory charters tell them to do, and that is exercise a degree of leadership and make hard decisions. And, thirdly, that they should be making these decisions without fear or favour. It's not just enough to say you make a wrong decision you'll be protected, it's actually encouraging them to make the decisions.

I guess the last point by way of introduction is that requiring the publication of more information on decision making without constraint or protection is very unlikely, in my view, to result in better decision making, it will result in a great deal more information and unfortunately a lot of that information will be trawled over by people like me running court cases, particularly in the absence of proper decisions having been made.

The experience that we have is in sitting in council chambers up and down, largely, the East coast of Australia, but also giving advice to councils on the other side of the country. No matter what their current political complexion there is a sense of disquiet amongst many of those authorities about what sort of decisions they should be making and what risks councillors themselves that personally in making hard decisions.

That is the framework in which our comments have been made and I'm happy to answer questions or make further comments if you would like me to.

MR COPPEL: Thank you. If I could pick up on the comment you made on section 733 of the New South Wales Local Government Act where you said it wouldn't fix those problems of perception or actual risks of litigation. Could you elaborate on why you think that?

MR BEATTY: This is not a problem or an issue that is capable of resolution with a single piece of legislation that requires, as you will have heard, as you will have read, probably as you have written yourselves, a host of tools to be applied at once. But from our experience in this fairly narrow area where you're sitting in a council chamber where councillors have reports in front of them that their officers have prepared, and there is a risk that is very clear.

Even in those circumstances, there is a great deal of unwillingness to

5 make decisions for a lot of reasons, political, financial, even I guess scientific, and there is quite a lot of climate change denial in local government authorities. And I don't say that to be critical of authorities, what I do say to them whenever we address them is it doesn't matter what you think about climate change, whether it's real, and it doesn't matter what I think, what matters is what the courts are saying.

10 With very few exceptions, most of the planning tribunals and planning courts, and many of the superior courts of record in this country are now saying climate change is real, it is a relevant factor to take into account, and if you don't take it into account your decision will be vitiated or you may be held to be negligible. So, the problem I think is that 733 would direct the mind of various councillors to making a decision, a 733-like provision, but it has to take place in the context of less State government flip-flopping, yes, 15 more information, but information not just for the sake of producing more information, it's actually got to have something stuck to the back of it to enable people to make decisions.

20 I can imagine that if you decide not to recommend something like this the world won't stop spinning, but it's a small, inexpensive piece of the puzzle which I think would go a great - would go a very long way to giving people the confidence to make decisions which I think in their hearts they know they need to make but they're afraid to make.

25 **MR COPPEL:** A number of the other jurisdictions have pointed to New South Wales and this section 733, that they act in good faith I think is the word, something that would be helpful. You're saying that it can be helpful but it's not a solution in itself because - - -

30 **MR BEATTY:** Well, it's not a silver bullet.

MR COPPEL: Exactly.

35 **MR BEATTY:** It's not a silver bullet but, as I say, it's a piece of a jigsaw which would be very easy to recommend and very easy, in my view, to implement. It wouldn't cost all that much and it would give councils the flexibility of relying upon the best science as it is published from time to time. And that can be done in a fairly apolitical sort of way because that science comes out of bodies like the Bureau of Meteorology, CSIRO, what 40 have you, so it's less affected by the exigencies of State politics.

45 The thing about 733, unlike the other indemnity provisions in Local Government Acts around Australia is that it goes very specifically to information which councils publish, decisions which they take and other actions which they undertake, but in the context of, very narrowly, floods and other risks. So, unlike the indemnity provisions that are peppered throughout other bits of legislation, it actually takes the decision maker to an area of risk

and says if you make a decision in good faith, relying upon current best available information, you don't have to worry about something which keeps you up at night, namely the possibility that you may get sued or your council may be bankrupted.

5

It does serve two quite important purposes, it deals with the risk but it also leads council, somewhat by the nose, into an area where they know they need to make decisions, long-term decisions.

10 **MS SACK:** One other thing which is important, which ties it in, is sort of
down the bottom is says councils are - if they make a decision in accordance
with the prevailing government guidelines and specifically gazetted
guidelines, then they are taken to have acted in good faith and acted
reasonably, so that ties it into a clear State government policy. And that is
15 part - another bit of the puzzle, you have the indemnity but you also have the
clear policy guideline, and they sit together.

20 **MR BEATTY:** But there is an interesting parallel between 733 and another
provision in New South Wales planning law, it's section 145B, but without it
it's very difficult to make decisions I suspect, particularly if you're in a local
council, or in a low lying flood affected area and there is a lot of pressure on
you to allow some cheaper residential development down by the river or near
the swamp or what have you, and that is happening every day of the week.

25 **MR COPPEL:** The thinking behind the idea of publishing information on
decisions is really getting a - improving transparency and accountability to
just explain the rationale for a decision, whether it's to accept or to not accept
it on the basis of which there's a rejection.

30 **MR BEATTY:** Well, most of that documentation around decision making is
already, in many cases, available. One can get the business papers or council
meetings, one can get copies of council officer reports recommending
particular courses of action or not, but I don't know that it necessarily
addresses the issue with which we are principally concerned which is getting
35 people to actually make properly informed, but sometimes quite hard, even
controversial, decisions. I don't think the information is the problem, I think
the will to decision making is the problem.

40 **MS CHESTER:** So, on the issue then of the release of information which
you say - I guess from our perspective, getting tough decisions made, a lot of
that rests on the information being out there and people understanding the
risks that local council are exposing them to by land use planning decisions,
but the way you describe it it's, at the moment, it's a damned if they do,
damned if they don't, unless they have got their house in order with respect to
45 risk management frameworks?

MR BEATTY: Yes. Well, look, I addressed those comments from the

perspective of an adviser to local government. Now, if I put a different hat on and I'm advising somebody who might suffer loss or harm then obviously I want to see every available skerrick of information to enable me to make an informed decision if I've got, you know, the resources to enable me to be able to do that. So, I don't say that, you know, information is a bad thing but the tip of the spear here is who makes the decisions about what to build and where to build, and it's local councils in the main that make those decisions, but the problem is in many cases they're not making that decision.

I think the issue with which the Commission is confronted is we know we're going to have to spend a lot of money on disaster relief in the future, wouldn't it be nice if we had to spend a little bit less because somebody had been courageous enough to make a decision some years ago not to build that housing estate in that area there, or not to allow that bit of infrastructure to go there. And whatever councils can be given to encourage them to make that decision in a sensible and good faith way, then I think that they ought to be given - the information per se is - I, you know, I don't have a problem with it but I don't think it addresses the issue with which we've got firsthand experience.

MR COPPEL: You make the comment that statutory indemnities, when appropriately worded, can provide that sort of environment in which decisions are taken. Can you - what constitutes appropriately worded?

MR BEATTY: I think 733 is pretty well drafted, it follows 145B of the Planning Act in that it has the, you know, the orthodox elements of any indemnity, you've got to act in good faith, you have to rely upon appropriate information, and doing nothing is not something where you are necessarily going to get the benefit of the indemnity, you probably do actually have to do something or demonstrate why you didn't do something when you were confronted with information.

I think it's a reasonably good model, again, not perfect, it could be improved I guess, but I don't see any legal or necessarily financial reason why it couldn't be picked up by all the other Australian States and Territories in pretty much the same form.

MR COPPEL: One of the key obstacles would be that there may be a lack of planning guidelines provided by the State jurisdiction.

MR BEATTY: Yes, there may be.

MR COPPEL: Or the planning guidelines that we have drawn which I think we've seen for sea level rise.

MR BEATTY: Which does happen. Which does happen. I don't know that I'd be as prescriptive as 733 in talking about guidelines issued from time to

5 time by the State government, I think there are guidelines or there's other information published from time to time by a couple of the Federal bodies that I mentioned. And I know that in many cases, in the absence of State guidelines, that is the source to which local councils will be turning in developing their own policies, or they are the sources.

10 The alternative to those sources is if the council has sufficient financial wherewithal they will hire a consulting engineer to do flood mapping for example, and many councils don't have the financial wherewithal to do that.

MR COPPEL: Why is there a distinction between flood and other risks in 733, is that a historical concept?

15 **MR BEATTY:** Yes, I think flood was - well, there has always been a bit of an indemnity in respect of flood and flood works, what 733 in its extended State does, it talks more about - if I can use the shortened - climate change related risks, that's what it's designed to do.

20 **MS CHESTER:** One of the other draft recommendations that we have, and it's about getting transparency with the State planning policies, is around getting State governments to articulate what natural disaster risk appetite are they allowing to be embedded with the SPPs that they set, which is kind of like the architecture within which local government works. That was framed with a view to allowing local governments then to kind of make some of the tough decisions by saying, well, this is where the line in the sand has been drawn by the State government and that's what we have to do. Good to get your feedback on that part of the recommendations and whether you think anything else is really required at the State government level to allow those tough decision to be made by local government?

30 **MR BEATTY:** Well, I maybe have less faith in the willingness and ability of State governments to do sensible long-term planning in this space than other people in the room. I have seen a lot of political policy making around this and I don't think that's healthy or desirable, but it's a fact of life I suppose, there's politics at all levels of government in Australia. But I think simply saying, well, the States need to show their hand to local government is not something that we are going to see in any uniform or particularly helpful form all at once or in the short-term.

40 I would really like to see the Federal government take more of a lead here because Federal government is a huge funder of disaster relief, which is ultimately us as taxpayers. And in many ways the Federal government does stand above the fray somewhat and it does have a number of extremely competent agencies that are good at gathering and disseminating information upon which many local governments rely to be bypassing State government.

45 It's a long-winded answer to your question. I think if State governments

can be persuaded to do this by some means, and it's usually, you know, the promise of money or the threat of withholding money from somewhere further up the food chain, sure, why not.

5 **MR COPPEL:** When we talk about local governments we use the words - we refer to all Local governments, but surely there are differences, we know there are differences in size and capacity. Do you have any sense as to whether those characteristics have a bearing on how they make decisions in relation to planning and natural disaster risk?

10

MR BEATTY: Of course. I mean larger, more sophisticated local government authorities I think are - they tend to be in or on the edges of metropolitan areas, they have got a bigger rates base, they have got larger numbers of professional staff, and I think they are probably more used to dealing with urban pressures than a lot of the smaller coastal communities.

15

I haven't addressed any remarks around bushfire hazard or what have you, although I know Ballanda has some experience there. I know of a couple of local councils that have got very significant climate change related risks but they don't have enough money to repair their own roads. So, they are never going to be in a position, even with something like 733, to make and implement really hard decisions because they just don't have any money, and that's the problem. But the larger, well-resourced councils, I think that some of these comments are less applicable to them because they have the ability to go out and get information, and if they club together as a group of Sydney councils has and procured decent reports, then they have got a good baseline from which to make hard decisions, and they do from time to time make hard decisions.

20

25

30 **MR COPPEL:** Do you see any way in which to address this dispersion among local governments in terms of capacity?

35

40

MR BEATTY: Yes. Well, one way of doing it would be to ensure that firstly the local government associations give the people at the back of the herd a helping hand and I think also there's a lot to be said for banding many of these local councils together so they've got a bigger resource base. But the group of councils around the Hunter Valley has done that and they've done that quite effectively. But as you move out of the urbanised, industrialised areas into parts of Australia which are typically sea-change areas you've got a lot of retirees, there's a lot of pressure on infrastructure. I'm sure you will hear this from Alan Stokes tomorrow, they're the ones that really need assistance and they're the ones that often have limited ability to make decisions and say, no, no, you can't develop there, that's just not safe, don't go there.

45

MR COPPEL: Okay.

MR BEATTY: Thank you very much for your attention.

MR COPPEL: Thank you.

5 **MS CHESTER:** Thank you. That's been very helpful.

MR COPPEL: Our next participant is Economic Security4Women. If you could come to the table, state your name and organisation for the official transcript, and when you're ready if you would like to make a short opening statement. Thank you.

MR BEATTY: Would you excuse us, please?

15 **MS CHESTER:** Thank you very much.

MR COPPEL: Thank you.

MR BEATTY: Thank you very much for the opportunity.

20 **MR COPPEL:** Welcome.

MS JOPE: Name, position, organisation, is that what it was? Yes. My name is Sally Jope. I'm executive officer for Economic Security4Women, one of the national women's alliances funded by the Australian Government through the Office for Women situated in the Department of Prime Minister and Cabinet. We came late to this inquiry and I'm here today to talk about some of the work that we've been doing with a sister alliance, National World Women's Alliance, and on looking at the impacts of gender in disaster. So, excuse me, I will read to you. Thank you.

30 One of our concerns is that there is no mention in the draft report about the different impacts on women of disaster and their different roles that they play. Women often are shown in a disproportionate burden of the effects of disaster as the primary family carer, as community carers and they play a key unpaid role in the community rebuilding. However, a report for Economic Security4Women which I have forwarded to you found that the needs of women are often overlooked in disaster affected areas and they have less opportunity than men to look for employment outside the disaster affected areas.

40 This disruption to their economic activity impacts on local industries, economies, individuals and families. I just might add that Economic Security4Women has a focus on the long term economic well-being of women and it is particularly through workforce participation or women in their own businesses. Women are often at the forefront of organising comfort, shelter, food, nutrition and water, as well as mobilising the community to respond to disaster. Post-disaster women often bear a heavy

workload, including clean-up work, subsistence activities and care, especially for children, the elderly, spouses and the community in general.

5 In addition, there is evidence to suggest an increase in violence women
and children after such disasters and evidence to us presented at a roundtable
discussion we held in Parliament House at the end of June was that women's
services that ordinarily respond to violence are also impacted negatively
because of the disaster. As a result, women are not only left with virtually no
time for paid work they also run the risk of being exhausted, overworked and
10 abused. Despite this, gender concerns are often overlooked, ignored or
dismissed as emergency responses take effect, and too many of the urgent
prevails.

15 On the positive side, women's disaster response efforts can provide them
with new skills they can carry over into the job market, giving them a unique
opportunity to challenge and change the gender status in society. In contrast
to Australia when disasters hit overseas, international aid agencies often
support development strategies that promote market based opportunities for
women. For example, by strengthening women's associations and
20 advocating gender sensitive business environment reform. In Australia,
however, these strategies are not employed and little is known about the
specific economic impacts on women in disaster affect areas.

25 We are concerned that there is no recognition of the different impacts of
disasters on women in the draft report. And I've just this morning sent
through to Erin a draft resolution from the Commission on the Status of
Women this year that reminded the Commission on the Status of Women
about commitments regarding women and girls affected by natural disasters
in the Beijing declaration and platform for action, and the outcomes of a
30 special session of the general assembly of the United Nations, which
reaffirmed that those outcomes stressed the need to incorporate a gender
perspective into disaster risk reduction, response and recovery strategies.

35 This draft resolution called for reaffirmed commitments regarding
women and girls. The resolution urged governments and civil society,
including NGAs and the private sector to review national policies, strategies
and plans and take action to integrate a gender perspective in policies,
planning and funding for disaster risk reduction, response and recovery,
40 considering the different impacts that natural disasters have on women and
men. We agree with the Commission that governments can do better in terms
of policies that allow people to understand natural disaster risks and have
incentives to manage them effectively. We agree that information is critical
to understanding and managing natural disaster risk.

45 We draw attention to two pieces of work, one is from the National
Women's Coalition, which is a kit for communities and it's targeted for
women to prepare for disasters. And also this piece of work which is our,

Women's Voices on the Flood Plains. These were two pieces of work that were commissioned with special purpose project funding by the then Minister for Women and in response to the 2011 floods. I've just recently come back a community roundtable in Marburg in south-east Queensland, just on Thursday, that the Rural Women's Coalition and myself organised. Marburg is in between Ipswich and Toowoomba. Everybody in that room mainly were professionals, council workers and emergency services, but they all lived and worked in the area so they were talking from their own personal experience. So they felt it was really essential to involve women in decision making and to strengthen the capacities, awareness and cooperation of relevant authorities in institutions at all level to apply a gender responsive approach to disaster risk reduction response and recovery.

MR COPPEL: Thank you.

MS JOPE: It's very broad, not the detail from our previous speaker.

MR COPPEL: But you made the point about having a gender perspective in natural disaster risk management, can you give us a sense of how you would embody a gender perspective in natural disaster risk management in Australia? What would it look like?

MS JOPE: I can't give you the details, but I do know that in Victoria they've got a gender disaster task force that's part of the broader emergency response. So basically it's about being aware of the different impacts on women of disaster and of the resources that they also bring to disaster and preparation. And for a lot of the women in this that we interviewed and talked to in south-east Queensland and in Victoria, they felt that, as we know, they contribute a lot but it was invisible and that added to the stress and the difficulty in recovery. I mean there was a lot of reasons that they were stressed and recovery is difficult. But that was one of them, that they felt they had worked a lot, they contribute a lot of unpaid hours, they support their family a lot, they'll go into debt for their adult children, et cetera, and it's not acknowledged and it's not recognised and it needs to be.

MR COPPEL: Having a gender perspective, is that something that could be built in to the existing framework or is it something that you think needs to revisit the model?

MS JOPE: I think so. I didn't bring it with me, but a report from our roundtable in Parliament House and a lot of that was about ensuring that at the local level the risk management and disaster plans include women, individuals, women's services and women's organisations because they play a part in the role but they need to be acknowledge and their voices do need to be heard.

MS CHESTER: Sally, your submission is an important one because it kind

of highlights really for us what is the complexity of understanding the non-market economic costs of natural disasters and how it comes down to a very sort of granular level of who's impacted and that long liability tale of it takes a long time for a community to recover and it impacts different people in different ways.

MS JOPE: Yes.

MS CHESTER: So gender or people that might be lower socio-economic or subject to mental health problems and the like. I'm not sure if your organisation is familiar with the work that John Handmer at RMIT is doing. He's been commissioned to do a more bottoms-up look at the economic costs of natural disasters.

MS JOPE: Okay. No, I'm not. But I'd be interested in that.

MS CHESTER: I think that's where I think your perspective is quite important and valuable because that will then inform, if people are looking at framing preparation and preparedness and soft mitigation, what are those costs and what needs to be included.

MS JOPE: Yes.

MS CHESTER: I just thought I would mention that and thought that might be helpful.

MS JOPE: Yes. Thank you.

MS CHESTER: It would be good, though, to get a sense of – given the focus of our inquiry, apart from the economic cost which were done at a much higher level is about the natural disaster funding arrangements.

MS JOPE: Yes.

MS CHESTER: Is there anything in those funding arrangements how they're currently framed that would result in gender needs not being integrated into sort of the planning and preparedness or is it just more of an understanding of these non-economic costs when those policies are being developed?

MS JOPE: No. I think it needs to be stated somewhere in policy that there's a different impact and that gender needs to be acknowledge. It's a different level of vulnerability to disaster as well. So I think there needs to be a mention and I think there needs to be – and I don't know how you do it but I think there needs to be an encouragement for women to be involved and women's organisations, women's and services to be involved all the way through the policy and the planning processes, to hear – to make sure that

disaster responses accommodate women's needs as well.

MR COPPEL: When you made the comment that information is critical are they any specific gaps in the information that you can give as examples/

5

MS JOPE: Look, from the roundtable last week where there was people from the Queensland emergency fire services, I'm not sure of their actual name, and they're doing a lot of community engagement and community work. They felt that it was really necessary to let individuals and communities know that they need to take up more responsibility in Queensland and I presume it's broader, that the community and individuals can't actually sit back and wait to be, not only rescued but helped, they need to be active in that. And they were very keen on community engagement programs like the weathering the storm and I think that's something that we will have to follow up about how this is promoted and implemented.

10
15
20
25
But it's a way of engaging communities to say this is what you need to know, these are the accurate sources of information. They're going to be different in different locations, but it has to be at that community level but one of the key things that they were saying that information needs to be accurate. And there are examples where locals in Marburg – or in the Lockyer Valley, were setting up Facebook pages and, you know, the emergency service people saying well that actually wasn't good. But they also need to rely on local knowledge as well. I don't know if that answered your question.

MR COPPEL: Thank you.

MS JOPE: Information needs to be accessible and it needs to be targeted.

30
MR COPPEL: Thank you very much and thank you for your submission on the draft.

MS JOPE: Thank you.

35
MS CHESTER: Sally, if it's helpful we will give you John's contact details if you would like to follow up.

MS JOPE: I would love that. Yes. Thank you very much. I appreciate that.

MR COPPEL: Are those things that we can hold onto?

MS JOPE: I can leave these for you. Yes.

45

MR COPPEL: Yes. Thank you.

MS JOPE: We did send these in and I'm not sure if you got the - - -

MS CHESTER: I think, yes, we did get them as appendices. But hard copies are great for us. So we will make sure we read them.

5

MS JOPE: The "Weathering the Storm" is missing a volume, you might have to download it.

MS CHESTER: Thank you.

10

MS JOPE: Cheers. Thank you.

MR COPPEL: Thank you very much.

15

If I can now call on the last scheduled participant for the hearing, Greg McLean, Assistant National Secretary, Australian Services Union. If I could invite you, for the transcript record, to give your name and organisation, and then when you're comfortable, to give a short opening statement. Thank you.

20

MR McLEAN: Thank you. My name is Greg McLean, I am the Assistant National Secretary of the ASU but I'm also the ASU's national head of public services, and hence our interest in local government and the inquiry that is currently being undertaken. Last week at - sort of like a little bit of short notice for us but our apologies for our missing it, we were able to just quickly put in a submission about your inquiry and have the opportunity to attend the

25

hearings today.

We actually have a substantial and longstanding interest in this item that goes back many, many years and it covers - for a number of reasons and issues. We had, in the past, made attempts to have alterations made to the National Disaster Relief Recovery Guidelines that are the prerogative of the Attorney-General and involve dealing with the States and, to a lesser degree, local government.

30

One of the issues or a range of the issues that we see as important, and I'll cover it in a couple of boxes if I can. One is one around the actual - well, I suppose there is three sections to the issues that we see are national disasters of any type, and also deal with our colleagues internationally that face the same issues.

35

40

Firstly, there is what I'll call the instant response, normally that is the people that are on the ground and doing what they need to do, SES workers, local government workers, electricity workers, whatever it might be, they're the first response to any of the disasters, be them flood, be them winds, be them bushfire, be them whatever the natural disasters are.

45

The second one is sort of like an instant help and get involved and start

to react immediately to helping that community out, and calling in a range of other parties and external parties. This would be perhaps other local government instruments or other county, or other electricity distribution companies for instance.

5

Then there is the longer-term construction issues and rebuilding issues that require what I will call the allocation of money, the tendering and all those processes that take place. Clearly, you can't go and offer a tender at midnight one night to have all the electricity and water and other services restored in the community within five hours, life just doesn't work that way.

10

The entities that are responsible and first line of responses are clearly regionally located State government authorities, and most importantly Local government authorities themselves because they are on the spot, it's their mandate, it's their area, be them regional authorities or be them other authorities or even ones working together.

15

I recall that there are organisations, and I expect they're still in existence, called flood county councils in New South Wales where councils come together and work for the common purpose of flood mitigation. The New South Wales Local Government Act provides that sort of across industry opportunities and there are probably about 480-odd different exchanges of abilities of local government authorities working together in New South Wales that are far, far larger in that number than what takes place in other States. There's a greater response in New South Wales of councils working together for regional issues and regional recoveries and shared services type arrangements that just don't exist in other States for whatever reason.

20

25

If I could come firstly to the instant response type issues. The instant response type issues are the ones that the storm, flood, bushfire, whatever is happening or has just happened or has just passed through. And the people that are there working to help in that assistance and recovery are emergency service workers, they are local council workers, they are bushfire or regional fire authority workers depending upon even whether it's a bushfire or simply a flood, those bushfire workers are often there running pumps and such like for water services.

30

35

Councils also find themselves utilising a lot of local council plant and equipment that is otherwise used for road construction and other works, i.e. the way you put out a bushfire in the middle of regional New South Wales where you don't have water is use a council bulldozer because it creates fire breaks and such.

40

Having the councils maintain those pieces of equipment at a local level and use those pieces of equipment for the usual work of council such as road maintenance and other work, not contracted out I would add, because they

45

5 might see that piece of item of plant sitting in Sydney's Western suburbs or another town some hundreds of miles away, or in fact just private sector owned and not wanting to see their item of plant endangered by way of a bushfire or flood mitigation or whatever the other disasters might be. So, councils having all that equipment on hand provides a multiple purpose to the community, not just road constructions. So, if we think about that, that's important.

10 It also means that when you have a flood, quite often the towns and cities are isolated, sometimes for days and weeks. No point sending a whole lot of bulldozers and plan machinery out from Brisbane's Western suburbs to go and sit in the middle of a flood plateau and have no one available to protect that town or work within that other town to rebuilt from its isolation component. So, therefore, giving large sums of moneys to State governments to ask contractors, private sector or others, to head bush to go and do some of this work is a little bit nonsensical, foolish and doesn't really deal with the problem that is at hand.

20 In other words, we don't want to find ourselves in a position where a council - where a State government lets a contract for rebuilding a flooded out road to a country town where you've got council plant and equipment sitting there waiting to do the job itself, so that's a waste. Plus, also, as I said, the isolation factor, bushfires, floods, whatever the other reasons are, we have plant and equipment on hand in those councils to do that work and provide those first immediate and urgent responses that we have seen.

30 Again, to the sort of second step that we'll come into which is that cross-industry support. If you have the large floods that went through Southern Queensland twice I think in the last five years, the restoration and supply of electricity could not be undertaken, nor could it be when they had that very large cyclone up in Cairns I think it was. Neither of those or any of those issues could not have electricity restored by the local electricity authorities in those towns, nor private sector, simply there is too many people needed to do the job. We therefore saw, like we see in most dangers, workers from the electricity authorities, and I mean the distribution authorities of essential Ausgrid, and the other one in New South Wales, sending equipment North of the border to work in Queensland on the restoration of the electricity supply.

40 We all know there was unfortunately many lives lost in Queensland when electricity was turned back on after those first floods in Brisbane because people had not checked the supplies first, basements were flooded, a whole range of issues, and the understanding I have is that there were more - in that first round of floods in Southern Queensland there was more lives lost once they turned the electricity on than actually were lost with the bushfire - with the floods itself.

5 So we have inherent dangers in the system that means that everything must be shut down after bushfires, floods or storms so that we can locate and rebuild. That means that we need to ensure that there is a lot of people that know what they are doing, and the first line is usually sending up a senior group of technicians that can inspect, make good and advise whether that electricity supply can be reconnected in that part of the town, city or distance of poles and wires.

10 Then there comes the second part, of restoration of those poles and wires that have been flooded away, and that's where we see the other electricity distribution authorities pick in and send crews North. I know that during the restoration of those cyclones around Cairns and that other area in Queensland - I just can't think of the name of the actual cyclone - there were 10 line crews set up by Essential Energy, that's 10 large vehicles with probably about a crew of seven or eight on each to go and restore.

20 This work I'm talking about doesn't go by way of a tender, it's not opened in the newspaper nor put up online for someone to compete for because it has to be done instantly. So, what happens is these authorities manage those requests themselves, they work in, help one another out and then send a bill to each other afterwards. And there is never, to my understanding, an argument on price, people understand that it is done at the right price and there is no gouging, if I could use that term, because it's self-help.

25 The same thing happens with bushfires where you will see - I was driving back from Canberra one day and saw a whole range of ACTU trucks driving back into Canberra in a convoy of some 20, they had been in the Northern part of New South Wales helping with bushfire restoration.

30 The magnitude of some of these business that are out there, these electricity businesses, they talk in poles and wires in millions. We have the largest electricity network in the world sitting in regional New South Wales. So, there is a hell of a lot of work to be done out there in those disasters and a lot of people to be able to deal with that.

35 Whilst we have individual State licensing for electricians, in other words you can't work in one State if your license - you have to be licensed in the State you're working in. I also sit as a director for an organisation called E-Oz, the electricity industry's skills council that deals with skills and training packages and programs for the industry, and we have developed a skills passport that means that a worker going from New South Wales to work in the energy system in Queensland can pop up and be self-accredited by the Queensland suppliers as he comes in because they ready assess against his passport of skills. So, we have now developed that through the skills councils in dealing with or working - actually whilst with the previous government some years back, and also with State governments as well that gets us past that licensing issue to allow those workers to move readily across

borders.

5 They're specific issues. The other areas are of course in that, and that
instant response or next response, are the workers that will go from councils
to other councils to assist. There were quite a substantial number of workers
go from New South Wales into Queensland to help with Local government
recovery, even Sydney City Council and others sending up workers, plant
and equipment to go up there and help with the clean-up of the debris laying
10 in the streets and such. So, we do have a fair amount of work that goes on in
those areas.

15 The next point I'd like to raise is the issue about post-disaster
reconstruction. Post-disaster reconstruction can be done a couple of way, but
ensuring that it is done as much as possible at a local level generates more
employment in those towns and generates second, third and fourth level
employment opportunities. So, if we have a council spends money in that
town by way of post-recovery construction we can see that that council is
going to spend the money in that town on either its workers or contractors.
20 We know during the GFC that is the way a lot of country towns were kept
alive, by the \$1 billion injection of Federal government funding into Local
government for additional projects and skills.

25 To our point of view, from the ASU, it makes little sense in sending a
contractor out from Brisbane's Western suburbs or Sydney's Western suburbs
to rebuild construction issues in a country town and then take their money
back with them.

30 We have recently all seen the hard advice in the newspapers where we
know that private sector road construction in the Northern Territory's isolated
areas is twice the cost of council labour and day labour in Western Australia
in exactly the same regions. So, there's not just cost, but it's also those jobs
that spin out to keep those communities alive that ensure that people use
hospitals, schools, keep money spent in those towns are really, really very
important issues for us to see.

35 So they are important components of what we see as rebuild and
reconstruct and some of things I think we don't actually think carefully
enough about how we finance some of this public sector infrastructure of
small size.

40 One of the most imaginative and best examples I saw in the last few
years was Coffs Harbour Council where they have rebuilt their dams, their
water reticulation system and waste water services by way of a five year levy
on the residents, five years in advance of construction. So, they start
45 planning the program and then you put a small levy on the ratepayers in the
lead-up to it. That money was also spent by way of what they called the
community building program or community engagement program that saw a

substantial amount of those funds spent at local levels. So, those funds got spent in local hardware stores or local companies or whatever so the money was kept spinning over in the community, so that actually ensured that money was kept in the community, provided for long-term out.

5

They are just a few points that we wanted to raise. We have been across this article for some - this issue for some time and we just think that the most important thing is to ensure Local government has a strong role in this. And, yes, ensure that the money is spent on Local government programs and programs that are appropriately required under the guidelines, but local government has extremely strong financial accountability, much stronger than the private sector and it has state governments watching them.

10

If there is something wrong going on, it's not just chasing the company and the board of directors, the State governments can dismiss the councils. So, you've got a whole lot of checks and balances out there that I think pushes to a point of saying, okay, we can do a fair amount of this locally, let's think about it. And, look, there may even come a time that council has put in an application for a tax consideration or for a refund or a re-grant or something that comes back to them if they say they want to buy an item of plant, it will be kept in the town and it will be used not just to build roads and such but it will be used to assist in flood mitigation or bushfire control and those sorts of areas.

15

20

MR COPPEL: You spoke quite considerably about the use of day labour or the issues of day labour and you made the example of where there may be a disaster in one area and Local government support from another Local government - Local government staff from other Local government areas would come up and provide that support. Now, has there been an issue - and then presumably the cost of that, either potentially then included in the overall cost of recovery and then at Commonwealth - - -

25

30

MR McLEAN: The Local government stuff that I mentioned is usually by way of a gift, it's by way of one council saying we're going to support another council and help them out, so if we can help them out maybe they'll help us out. And Local government of course supports SES services, supports bushfire brigades, supports all those services that directly support our communities. I'm not certain of what takes place in other States but in New South Wales, as far as I know, the bushfire rural fire brigade trucks are serviced and registered by the local councils, they don't have number plates on the street but they are kept to that standard by the local council and assisted by them. So, councils often go by way of not just something to recover moneys, but to assist them.

35

40

With respect of the electricity industry, that is, I think, a little bit different because that tends to be for a longer period of program because it's poles and wires being brought up and can take several months. Whereas the

45

instant response we're talking about is - if we have got a group of workers in Sydney that know how to clean up safely after a large storm it makes sense to lend those workers to another Local government to help out. It is also similar in what happens with bushfire brigades. Bushfire brigades go from one town to another town, one region to another region and a lot of those people give their time and service free. Local government authorities and State government services almost exclusively back those employees by giving them paid labour to do so.

5
10 **MR COPPEL:** So when you talked about they provide the bill and very rarely they would ever contest the bill?

MR McLEAN: Sorry?

15 **MR COPPEL:** You made the point that then subsequently a bill would be provided and you're confident there was no gouging.

MR McLEAN: Yes.

20 **MR COPPEL:** So, is there any payment that is made?

MR McLEAN: For the council ones I'm not aware of because that's usually a gratis type thing. But with respect of electricity distribution industry, yes, there are serious charges involved in that. There is a schedule of charges, I'm not certain what it is. But it's one that the industry needs a whole lot of skilled workers, you've got them in packages, you know, bits and pieces here, here and here, we instantly need a great amount of dislocation, where do we get them from, they take five years to train so we can't reasonably train them if they're local people, so we then send a call out to our colleagues that have that sort of work they do and they'll then move that work up there. And sometimes that can mean that work programs in their areas where they come from might be put back a week or two or a couple of weeks, but it's for the good of the country that this is done.

25
30
35 **MR COPPEL:** So, the issue that you are raising is that under the current arrangements for natural disaster funding where councils need to put out for tender, use of day labour is limited?

MR McLEAN: No, no.

40 **MR COPPEL:** What is the issue?

MR McLEAN: They can tender with them. But I'm saying this all takes time. And there needs also to be that recognition that if you then want to go and put a tender out for this work to be done, yes, sure, you might need some extra equipment. But let's not have like we've had in one instance, in one State that I'm aware of, where we had a government running around trying to

issue a tender for road construction and we had crews sitting in an isolated area of that State with truck and vehicles on a hill waiting to start work and the council saying, well, there is no money in our budget but we can't do that because we've got all this other work planned, the State government wants to
5 issue a tender for someone to come out from Brisbane to do that work, we could do a better job if the money was there.

So what I'm probably trying to get to is that, without getting into this argument of day labour versus contractors, let's just think for a moment about
10 what councils add to this program and what Local government or local authorities that are not for profits or service entities, add. What we're saying is put them at the table and they should be part of that discussion. So, when the Federal government sits down and wants to hand out a whole lot of money to a State because of a flood, why don't we put the councils at the
15 same table and meet in full with them to ensure that is done.

Now, we had problems with that in Queensland in the post-flood crisis up there. But when we had that consultation in Victoria, and I think even under conservative governments in Victoria this was done, that we had, when
20 those large floods were in Victoria not too much after the Queensland ones, we did have a very good involvement from Local government with the State government in that State.

So what we're really saying is that when it comes time for these natural
25 disasters, the Federal government minding if it's going off to State governments, let's remember State governments tend to leap in cities, they cover a whole State but I think you're aware of the city/country sort of divide that is out there, let's put those councils at the same table and involve them in that discussion so that those State governments can listen to Local
30 government and so can the Federal government about the needs of those programs, rather than just putting it through a State government tender operation.

So my role I suppose and what I'm trying to do today is make you aware
35 of what can take place on the ground. As some others have put in their submissions to you, Local government authorities, about making sure the money goes to those Local government authorities, I support that and I know that can be done, we saw that with, as I said, the GFC money spend, but at the same time there are State governments out there.

So when it comes to disaster issues like this, Local government, Local
40 communities respond instantly, council workers, SES, whatever it all happens to be, then there's that instant additional response that takes place in the few days afterwards to get supply back, to clean up things, some of that is paid for, some of it is not, some of it is people working together for the best of
45 their communities or the community up the road.

5 People in Sydney for instance, Sydney Council took great pride and so did the council workers, in being able to send a couple of trucks up to Brisbane to help clean up, so Sydney City Council is boasting about it, we've done our bit. I think that's wonderful stuff, that's really good to do because it helps everybody out as a big community.

10 So then we get to the stage where we've got those recovery issues taking place and the rebuilding of this, that's the time we all take a big, deeper breath of cold air and say, okay, I've got to sit down and start to plan that. When that is coming up we should make sure that Local government, who has already been involved in those first two instances I mentioned, is sitting at the table with the Federal government and the State government and having that discussion about whether the moneys need to go and how important things are.

15 I'm simply suggesting they need to have a voice, put them at the table. We're not coming here today saying you've got to only give it to those councils that are using day labour, that's not an argument, we'll have those arguments with the council at another time, another place. But we're really saying, in that two corners that currently exists under the National Disaster Relief Recovery Guidelines let's include Local government as part of the discussion and include those individual councils that are in that area.

20 If that means the State government needs to have a wider discussion or it needs to have a discussion with a number of representatives from some regional councils, or in fact they usually don't take place State-wide for these disasters hopefully, but they do take place in large pockets. Let's put those large pockets of councils together with the State government and the Federal government and have that discussion so that the people in the local communities have got a say, and at the same time they can really - and at the same time those Local government leaders, be them elected councillors or the professionals, can put forward the views to the State government for their consideration without having to go through a third tier of assessment by someone in a public sector State government department.

30 At the same time, the council can set out the - the state government can set out the guidelines of money recovery and anything else they need to do. But let's just give the money to the local communities and the councils in that three corner discussion, not by the State governments. We are in support of giving the money directly to the local communities and putting the watchdogs of the State and Federal government on it to make sure it's spent properly. And we believe that is the best way to help communities out at the time of need and post-disaster recovery.

45 **MR COPPEL:** That's okay. Thank you very much.

MR McLEAN: If there is anything else that you do end up having further

discussions on this issue, or in your reports there's any suggestions or considerations of onward discussions and roundtables, we'd be very, very interested. As I said, it's an issue we have been active on for many years.

5 I can remember, as a young clerk working at what was Sydney County
Council at the time, at the depot at Rosebery, seeing a range of these small,
little, bright yellow painted Minis, you know, the Mini Minor, Mini Coopers
coming into the store in the 1970s and we were ordering sleeping bags, tents
and such and getting the line crews ready, the orange Minis were for the - the
10 police were using. But we were getting the line crews ready to be trucked to
Adelaide and then set on a train to Darwin to do the restoration work after
Cyclone Tracy had hit.

15 This sort of work has been going on for a long, long time and those
organisations do do a lot to help out. But also there is a huge amount of skills
learned by the workers at that time and there is a great amount of cross-skills
take place. There might be a little bit of a less delicate ways of stringing
cables in the bush than there might be in the city, and it's quite imaginative to
see the work skills that transfer from one group of workers to another when
20 they're doing that sort of work, it does actually happen quite well.

MR COPPEL: Thank you very much for coming in.

25 **MS CHESTER:** Thanks, Greg.

MR McLEAN: Okay. Thank you.

MR COPPEL: Okay. Well, ladies and gentlemen, that concludes today's
30 scheduled proceedings. For the record, is there anyone else who would like
to make a brief comment at the hearing today?

If not, I adjourn these proceedings and the commission will resume
tomorrow, in Melbourne. Thank you very much.

35 **MATTER ADJOURNED AT 4.42 PM**
UNTIL TUESDAY, 28 OCTOBER 2014