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PRODUCTIVITY COMMISSION

**INQUIRY INTO NATURAL DISASTER
FUNDING ARRANGEMENTS**

MS K CHESTER, Commissioner
MR J COPPEL, Commissioner

TRANSCRIPT OF PROCEEDINGS

**AT 530 COLLINS STREET, MELBOURNE ON
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MR COPPEL: Good morning. Welcome to the public hearings for the Productivity Commission Inquiry into Natural Disaster Funding Arrangements. My name is Jonathan Coppel, and I'm one of the Commissioners on this inquiry, and my fellow Commissioner is Karen Chester. The inquiry started with a reference from the Australian Government in April and covers the full scope of current Commonwealth, State and Territory expenditure on natural disaster mitigation, resilience and recovery.

We released an issues paper in May and have been receiving submissions since then. We have talked to a range of organisations and individuals with an interest in the issues and held round tables in July. We released a draft report in September and we received about 75 submissions in response to the draft report. We are grateful to all the organisations and the individuals that have taken the time to prepare submissions and to appear at these hearings.

The purpose of the hearings is to facilitate public scrutiny of the Commission's work and to get comment and feedback on the draft report. Yesterday the Commission held a public hearing in Sydney. Following this hearing in Melbourne hearings will also be held in Townsville and Brisbane. We will then be working towards completing the final report, having considered all the evidence presented at the hearings and in submissions, as well as other informal discussions.

The final report will be sent to the Australian Government in December. Participants and those who have registered their interest in the inquiry will be advised of the final report's release by government, which may be up to 25 Parliamentary sitting days after completion.

We like to conduct all hearings in a reasonably informal manner, but I remind participants that a full transcript is being taken and for this reason comments from the floor cannot be taken. But at the end of today's proceedings I will provide an opportunity for anyone who wishes to do so to make a brief presentation. Participants are not required to take an oath, but are required under the Productivity Commission Act to be truthful in their remarks. Participants are welcome to comment on the issues raised in other submissions.

The transcript will be made available to participants and will be available from the Commission's website following the hearings. Submissions are also available on the Productivity Commission website. For any media representatives attending today some general rules apply. Please see one of our staff for a handout which explains the rules. And there are staff members at the back of the room.

(Housekeeping arrangements)

Participants are invited to make some opening remarks of no more than five minutes. Keeping the opening remarks brief will allow us the opportunity to discuss matters and participants submissions in greater detail.
5 I would now like to welcome the National Sea Change Taskforce. So if you could make your way to the table. For the purposes of the transcript if you could give your name and organisation, and then when you're comfortable if you would like to make an opening statement.

10 **MR STOKES:** My name is Alan Stokes and I'm the executive director of the National Sea Change Taskforce. It's an association of 50 coastal councils representing councils from all Australian States. And the following is a statement I have prepared.

15 I think at the outset it's important to note that Australia's coastal councils are at the forefront of efforts to deal with the risk and the impact of natural disasters. It's a big issue for coastal areas because they're particularly
20 vulnerable to disasters such as storm surge, tidal inundation and more frequent and severe extreme weather events and other projected climate change impacts, including sea level rise. And it's also worth noting that parts of the coast are also subject of risk from tropical cyclones.

25 More than 85 per cent of Australians live within 50 kilometres of the coast and the coastal zone is home to the nation's State capitals and the majority of industrial assets are located along the coast. Many coastal areas are experiencing ongoing population growth. Now, what this means is that there are a lot of people and assets at risk along the nation's coastline which is why the outcome of this inquiry is of critical importance to how, as a nation, we manage this risk and how we respond to future natural disasters.

30 Coastal councils are aware of the risk of natural disasters posed to their communities, but they are also aware that they face major challenges in reducing that risk in the absence of adequate policy settings and resources.

35 One of those challenges is the vertical fiscal imbalance which is noted in the draft report and it's worthwhile just looking at the extent of that imbalance. The Bureau of Statistics figures show that in 2012/13 the Commonwealth's share of total national tax collections was 81.5 per cent. The State's share was 15.3 per cent and the local government share was 3.4
40 per cent. And it's clear from these figures that local councils have little or no capacity to increase expenditure on anything other than their basic services, given their small revenue base.

45 Under the current fiscal arrangements local government simply doesn't have the capacity to pick up an increased share of relief and recovery costs which would necessarily follow if Commonwealth contributions for these costs were reduced from 75 per cent to 50 per cent, as recommended in the

report. Councils also lack the capacity to find additional funding in response to the recommended increase in the threshold for the small disaster criterion from 240,000 to 2 million dollars.

5 The Taskforce welcomes the report’s focus on increasing the balance in disaster funding in favour of an increased allocation to mitigation, and we believe this is a move in the right direction because if undertaken strategically it could reduce the scale and cost of damage from future natural disasters. Once again, however, we question the capacity of local
10 government to match the recommended increase in Commonwealth expenditure on mitigation funding.

 To welcome the observation in the report that the current restrictions on council’s use of their own day labour and equipment to carry out reconstruction works are inefficient and wasteful, and we certainly hope that
15 these restrictions are lifted. One overriding question we have in relation to the draft recommendations is how is all this going to happen within the framework of the current institutional and governance arrangements which the Prime Minister himself described over the weekend as a “dog’s
20 breakfast”. That was during the Henry Parkes oration.

 What is currently lacking is an effective decision making framework that brings together the three levels of government to work together to devise and implement a coordinated national approach to dealing with natural disasters.
25 The current arrangements are diffuse and exercised by many different agencies at Commonwealth and State Government level. As we see it, there is a need to clarify the roles and responsibilities of each tier of government in relation to natural disasters, plus there’s a need to identify and select relevant mitigation projects and this needs to happen at a national scale.

30 It’s for that reason that we propose that the Australian Government play a leadership role in developing this coordinated national approach, either through the COAG Law Crime and Community Safety Council or a relevant ministerial council, because, really, no other level of government is in the
35 position to play such a leadership role. We believe that this would be of critical importance in order to make a seamless transition from the current natural disaster relief and recovery arrangements to any new arrangements adopted by the Australian Government, particularly at a time when current Federal and governance arrangements are subject to reform.

40 In conclusion, I just note that it would seem to me that if you get the decision making framework right the rest is likely to follow. Thank you.

45 **MR COPPEL:** Thank you, Alan. And maybe I can pick up on one of the latter points in terms of roles and responsibilities of different levels of government.

MR STOKES: Yes.

5 **MR COPPEL:** You mentioned that the Australian Government should take a leadership role. What responsibilities would you see the Australian Government taking such a leadership role?

10 **MR STOKES:** Really, I think the most important role that they could play is to bring creative framework or a forum to bring the three levels of government together. To work together collaboratively in order to address these issues. I mean, it is – they are huge issues involved in funding natural
15 disaster relief and recovery arrangements and funding mitigation and there are numerous approaches that you could take and options that you could take, but without the participation of all levels of government in that dialogue and decision making process, I don't know whether you would come to a satisfactory conclusion.

20 The other option – and we wouldn't suggest it – is that, you know, the Federal Government plays the unilateral role in deciding what sort of framework and what sort of recommendations are adopted and what sort of future strategy is to be pursued. But without the commitment and the participation of the other levels of government, and without the knowledge of what potential difficulties might implied – involved in picking up some of the recommendations, it's difficult to see how those new arrangements could
25 work.

MR COPPEL: There is an Australian New Zealand Emergency Management Committee which involves different levels of government. Do you see this as being sort of insufficient or needs to be strengthened?

30 **MR STOKES:** Look, I see really, given the financial implications of the decisions to be made in relation to how natural disasters – how the mitigation process is going to work – I mean, I don't see the committee such as that that doesn't have direct government representation on the part of either Ministers or, you know, the most senior bureaucrats, how that could make decisions
35 which have such significant financial implications.

MR COPPEL: I think there is a high level at this particular group, but there may be a greater focus on the emergency – or coordination for emergency response rather than the full range of preparation and recovery following a
40 natural disaster. But maybe we can move to that being identified as a role for the Commonwealth Government, then what do you see as the roles or how do the roles differ for State and local governments for this coordinated approach?

45 **MR STOKES:** Yes. I mean each of the jurisdictions has responsibility, you know, within their own area, principally for response and recovery. But the arrangements – or the current arrangements don't appear to cover mitigation

to any great extent. And I seriously wonder whether, you know, each state going about devising its own response strategies and mitigation arrangements can be as successful or can accomplish as much as a process which I outlined earlier involving both the Commonwealth, the States and also local government making input into that process.

The States, I think, have got an important role to play as they have principal planning responsibility. One of the things that we have outlined in our submission is the proposal to prepare disaster resilience plans. Under those plans, one of the main tasks under those plans would be to identify areas that had potential and particular risk of natural disasters. I mean if you go back to the disasters, the flooding events in South East Queensland in 2010/2011 and you have a look at the extent of the damage that was done by those floods and the cost of those floods to the Commonwealth in excess of \$6 billion, it seems extraordinary that almost exactly the same area had been subject to a similar event back in 1974. But that in the meantime, this area which was included, a large area of flood plain, could be developed to the extent that it was, with additional properties being placed at risk.

I would have thought it was the State government responsibility to identify, either from previous events like that, which areas were at risk. And the other thing I think that that event highlights is that back in 1974 there were far less houses in that area that was affected, many of them were the old style Queenslanders up on stilts, and therefore they weren't as subject to inundation as the houses that had been built in the meantime, many of them constructed on slab on ground, making them particularly vulnerable.

I think it's a combination of identifying where that risk exists and either introducing more stringent building codes in those areas so that if you are to build in an area that is subject to risk, that the houses can be designed in such a way as to minimise the potential impact of inundation. And possibly one of the other examples I have made in our submission is following the Cyclone Tracy in Darwin back in the early '70s. There were more stringent building codes following that event, and that would make an enormous difference if a similar cyclone of similar strength struck that area today.

I think it's a combination of which areas can be developed in the future in order to minimise the risk to new developments, and to what extent they can be designed to withstand the impact of natural disasters.

MR COPPEL: We'll get on to the built environment in a moment. But if I could come back to mitigation, the draft report proposes a \$200 million mitigation fund, co-matched by an equivalent from State jurisdictions wrapped around certain good governance principles, and the proposal is to allocate that on a per capita basis. I'm wondering if you have any views on that allocation method that is being proposed in the draft report?

MR STOKES: Well, could I just talk about the principle of allocating additional funds for mitigation. First, we fully support that and we supported the initial proposal from the Australian Business Roundtable for Disaster Resilience and Safer Communities. One of the reasons that we supported that - and they recommended up to 250 million a year on mitigation - was that as we saw it, it could have a significant impact in the longer term in reducing the cost of future natural disasters.

Undertaking this sort of mitigation work now over the course of the next 40, 50 years really would be an ongoing process to identify the risk and then to devise measures to reduce that risk seem to us, from the Commonwealth's point of view, to offer the prospect of big savings in the long-term if you look at the modelling that had been done by Deloitte Access Economics for the business roundtable.

In terms of allocating the funding on a per capita basis, I think this is where you really need input from the States and from local government to identify the level of risk and the potential cost of that risk. For example, I could see that in northern Queensland you could make a very strong case for having a larger allocation of mitigation funding, given that the area is vulnerable to the risk of tropical cyclones, and the costs involved in recovery and reconstruction from that is significant.

Similarly, there are, you know, in South East Australia, say in Victoria and also South Australia, there is an elevated risk of bushfire. And so therefore I think that really the allocation should take into account the level of risk that each of those jurisdictions faces, and I think you would base that on an assessment of, you know, the impact of natural disasters they faced in the past.

MS CHESTER: And I think that is one of the things that we are grappling with, what is the best way to allocate it, and in an ideal world it would be risk rated. So, if we look at the only comprehensive set of data that we have got which is the insurance loss data, over the last 30 years it would suggest roughly per capita is not a bad rough proxy, albeit Queensland misses out a bit.

MR STOKES: Right.

MS CHESTER: So we are hoping to use the public hearings to hear from particularly some of the academics and researchers in the area to find out what would be a good risk rated way of doing it. The other key point you raise about the mitigation in your post-draft report submission, Alan, is around the decision making and the governance involved in the best way to then allocate that mitigation spend once it has been allocated out to the States.

5 We had a number of conditions and requirements in our draft recommendations to try to ensure that that money is well spent, so best bang for buck in a risk sense. It would be good to get your feedback on whether you think those conditions are adequate to ensure that that money is spent in a cost effective way.

10 **MR STOKES:** Look, once again I think it comes down to having input from the States and from local government. Now, at what scale from local government you would get that input about, you know, what needs to be spent or what are the priority projects that are being considered, you know, from mitigation projects. I think that's where that dialogue and that's where that collaboration is necessary. There may be some, you know, very easy projects which could be undertaken without much in the way of additional funding.

15 I come back though to the concern that I would have about the capacity of local government to match the increased level of funding, because there is no doubt that Local government would have to pick up part of that matched funding when you increase the amount of allocation and mitigation.

20 **MS CHESTER:** I think there we have tried to identify a flexible range of options. So, Jonathan worded it very well before by saying it's a - matched by a State jurisdiction, and within that State jurisdiction there is State government who we would be seeing as the primary matched payer if it's coming from government. But we are also very conscious that there is ways of Local government getting private beneficiaries. So, say, for example, with the flood levy we have seen examples of, you know, rates being adjusted when there is a cohort of residents that benefit. So, it would be good to get your thoughts on those other sort of flexible options for raising the collective matching across the State jurisdiction.

30 **MR STOKES:** We have had a recent example of a council in New South Wales attempting to do that, Old Bar on the mid-New South Wales coast, I mean that is an area that is subject to major coastal erosion and they're losing part of the coastline and part of private properties along that coastline in that area. One of the proposals that they have recently been looking at is constructing a sea wall to protect the properties along that coastline from the impact, further impact of the sea.

40 From memory, I think the estimated cost of that construction was going to be in the order of \$10 million, it could have been more, but considered beyond the capacity of Local council to raise it from their own normal sources of revenue. And so what the council did was they prepared a coastal management plan but requested funding from the State government.

45 Old Bar has been identified for years as a particularly vulnerable area, but at the same time there have been concerns raised wherever the notion of

5 sea walls has been proposed because they have, sometimes, unintended consequences of not preventing the impact of the ocean but in fact diverting it from the properties that benefit from the, you know, from the protection, onto neighbouring properties. And State government rejected the request, and where the council goes after that, I don't know.

10 I can see that you could very easily make a case for private property owners being asked to make a contribution if their property is in an area which is subject to that sort of risk. Then of course you have got the insurance cover that they may get, but of course insurance cover, you know, for events associated with salt water is pretty difficult. But I suppose it's balancing out all of those competing needs and saying, okay, well, where does the buck stop in terms of who should pick up the cost of providing a measure such as that which will benefit one stretch of coastline, albeit one facing significant risk, and one set or cohort of property owners. How do you share that risk between the various, you know, between the local council, between the State government, Federal government, and the property owners.

20 This is where I think it is an exceedingly complex issue to resolve, and that's why I think there is a need to bring the three levels of government together to consider highly complex issues such as that.

25 **MR COPPEL:** In the draft report one of the principles that we have put forward in terms of risk management, vis a vis natural disasters, is that the owner of the asset bear the responsibility for the risk. So, in an example like that there would be different types of assets, could be Local government, it could be State government, it could be private assets. Do you think that principle is a principle that would apply - do you think that principle is a relevant principle for such decisions on how the risk should be shared?

30 **MR STOKES:** I think the general principle that the property owners should bear part of the cost is a reasonable one. I mean there are also different circumstances of different owners, I mean you might well find a development company that has come along and bought up some broad acres in an area which may be subject to risk, and we see that happening along, say, the Queensland coast in particular. They are in a much better position to be able to, you know, take any mitigation measures than individual property owners who don't have access to the same level of resources.

40 Then you may have a family that has held an individual property for the past 50, 60 years and before there was an awareness that, you know, this was a potential risk facing that property. I think there is a difference between people and families maybe that have held an individual property for a long time, before the risk emerged to the extent that it has now, and people that bought in the full knowledge of that risk because that is, you know, that is a considered decision where they must have taken that risk into account.

5 **MS CHESTER:** That sort of links in quite well then to the whole issue that you have touched on before, Alan, around land use and planning. In our draft report we had a number of draft recommendations largely aimed at trying to get greater transparency about how to manage those competing objectives, and in particular where State governments, through state planning policies, kind of set the architecture for those competing objectives to be implemented by local governments in their decision making around land use planning. We had suggested that State governments need to really articulate what natural disaster risk appetite they're really embedding in those SPPs.

10 It would be good to get your thoughts on across the range of recommendations we had in the land use planning space, including State governments giving greater guidance to local councils on how to manage those competing objectives, making sure they've got the resources to actually meaningful implement land use planning decisions. It would be good to get your feedback on whether that sort of suite of recommendations goes far enough for councils to be better placed to make those tough decisions in the future.

20 **MR STOKES:** One of the relevant recommendations that I think – I think it was 4.6 which related to the legal liabilities and calling on State governments to provide clarity in terms of guidance for local councils in considering these issues, and that is one of the real dilemmas facing local government, that faced with a development application for a development of an asset in an area that's considered at risk – in New South Wales there's an element of indemnity afforded to the council under section 733 of the Local Government Act which provides that level of indemnity to a decision that's made in good faith in relation to the DA. Other States don't have the same degree of protection for local councils embedded in their State laws.

30 I mean, this is a real dilemma and in some cases the councils are damned if they do issue a permit and damned if they don't, because the consequences almost either way are going to involve or could involve fairly costly litigation. Once again, if you have the example of the development company putting in an application for a housing subdivision in a potentially vulnerable area, and I've referred to one in our report at Carrara where there was a subdivision of some 1000 lots that was developed on a flood plain. The Gold Coast City Council felt they really weren't in a position to be able to reject that development application because a previous legal case which had upheld a permit for an adjoining development. So they felt compelled to go ahead and grant the permit to avoid the legal consequences.

45 New South Wales and Queensland, from our point of view, have been unhelpful in removing what were fairly recently developed coastal planning guidelines, and those guidelines included projected sea level rise. In New South Wales it was 90 centimetres by 2100. In Queensland it was 80 centimetres by 2100. But these were of enormous value to local councils

5 because they had a benchmark they could apply in considering the applications that came before them. And revoking those benchmarks really put them in a legal limbo because they were then asked to draw on their own resources to calculate the risk of sea level rise along their own stretch of coastline. I mean that's a big ask for a local council.

10 **MR COPPEL:** The draft report places a lot of emphasis on information on hazards and the communication of hazard risk information and we have a recommendation that governments should look more closely at vendor statement documents and giving information on the nature of the risks attached to a particular property. At the moment that is quite dispersed across jurisdictions. I'm interested in your view on what natural disaster risks you think should be in such vendor statements, if they should be at all.

15 **MR STOKES:** New South Wales went down this path under the previous administration, to include notes on certificates for properties that were subject to sale, and there was a huge community outcry because it had the effect of reducing the market value of those properties that had been – I think it was section 170 of that notice – I could be corrected on that. But there was
20 a huge public outcry of the effect that it was going to have on those properties.

I think it's reasonable to indicate what the risk is with particular properties where there has been adequate work carried out to accurately –
25 well, as accurately as possible – to assess what that risk is, whether it's bushfire, and you would find that, you know, there would be many parts of the peri-urban area outside Melbourne that was subject to the bushfires back in 2009, where it would be appropriate to provide a notification that there is a risk of bushfire and a heightened risk of bushfire in an area where a particular
30 property might lie. And I think that's reasonable from the point of view of the potential owner, both in terms of the value of their asset, but also, you know, their own safety, trying to stand that risk.

35 I think that's a reasonable way to go but it's not an easy thing to implement, given the effect that it may have on existing owners and the value of their assets.

MR COPPEL: Thank you very much, Alan.

40 **MR STOKES:** Thank you.

MR COPPEL: Thank you also for your initial submission and the submission on the draft report, very helpful.

45 **MR STOKES:** Thank you very much for the opportunity to come and be involved.

MS CHESTER: Thanks, Alan.

MR COPPEL: Our next participant is Susie Burke from the Australian Psychological Society. So for the transcript record if you could, when you're comfortable have a seat, give your name and organisation that you represent and then if you could make a brief opening statement. Thank you.

MS BURKE: Thanks very much. Thanks for having me. My name is Dr Susie Burke and I come from the Australian Psychological Society. I'm a senior psychologist there for disaster response and environmental issues. The APS made an original submission to the inquiry and also a response to the draft report.

The Australian Psychological Society has got a disaster preparedness and response reference group which comprises a number of international and national experts on disasters, both preparedness and response and recovery. And we particularly drew on the work of and the participation of Professor Kevin Ronan from the Central Queensland University and Professor Joseph Reecer from Griffith University in preparing our submissions. Both of them would have been very happy to speak at the hearing but weren't able to. So I'm sort of representing a lot of the body of research that they've worked on for decades as well.

I just wanted to acknowledge that the draft report had a terrific shift in focus away from a heavy emphasis on response and recovery to prevention preparedness which – and we were one of the organisations amongst many others that had recommended that because, you know, we see the great effectiveness and cost efficiencies in prioritising prevention preparedness. But there were a couple of other comments that I wanted to emphasise which I prepared in our draft response.

The main one is an issue around the level of analysis that's used in the report. So the report draws very much on traditional disaster management approaches, with a focus on systems and structures. So, for example, in the mitigation sections a lot of it's on land use, as we've just been hearing the previous speaker, and infrastructure and built environment and insurance, and, you know, very big systems and structures. And what I wanted to introduce was the importance of also having an individual level of analysis which looks at the person living in a disaster vulnerable area and his and her family, and looks at reduction mitigation and prevention measures that are based on reducing a person's risk behaviour.

This is also enormously effective in reducing risk of injury, death and psycho-social harm to people and families, and also communities, and there are also much lower-cost strategies to be putting in place. So that was the main feedback that we wanted to make on the report. Just to illustrate what I'm talking about I can give a couple of examples. Following 2010/2011

5 floods in Queensland there was a lot research that was done on what were the main causes of death. And they've found in that and in many other reports, both here and in Australia and around the world, the biggest risks of death for floods are people driving through or walking through or playing in flooded water.

10 These are behaviours that humans do. And what the government has done since those floods was to campaign quite heavily on a campaign called "If it's flooded forget it" to reduce that particular risk-taking behaviour. So there's a lot of information that does come out of disasters around the world about the particular risk-taking behaviours for men which are different for women. So around bushfires it's usually men doing things in the open when a fire is approaching, and for women it's late evacuation that are the biggest causes of risk and injury. And after the Black Saturday fires here in Victoria 15 a lot of the analysis of the bushfire deaths ended up with a recommendation that early evacuation was the best option. But, still, in the community it's not really been picked up as being what people would have for most in their minds.

20 There's a lot of risk messaging and community education and school education that can be done around getting those messages around early evacuation as being a very important strategy for reducing risk of death and injury. And just to give another example about how that could be done, Professor Kevin Ronan has done a lot of research over the years focussing on 25 children and youths around educating them around disaster preparedness. And there's a number of reasons why there is this focus on young people. One being because children are the most vulnerable to disasters and the most likely to be killed or injured in a disaster.

30 But also because if you can set up disaster preparedness habits in children and in young people there's a greater chance that those will be risk-reducing behaviours that are lessons learned for life, so that the generation of adults that are then, you know, expected to take care of themselves through natural disasters have got a better preparedness sort of knowledge under their 35 belt.

40 Also research is showing that children and young people that are taught preparedness behaviours and are instructed to take these measures and lessons home to the families and to do exercises at home, have actually been found to increase the number of risk-reduction behaviours that families do as well. So it can have a flow on effect into real behaviour change in families, which has a huge effect in reducing the risk of injury and death, but also reducing the risk of the psycho-social costs of being caught up in a disaster in a very frightening and damaging way.

45 So that would be the last point that I would make just in my introduction, that when you take an individual level of analysis as well as that broader, you

know, systems and structures level of analysis, and you're looking at the effects on people, then it means that you can also be putting more attention on the risks to psycho-social well-being and the mental health and death and injury, rather than what we felt was a bit of an emphasis on risks to assets in the report. And when you do that that also draws attention to a whole lot of measures or initiatives that can be done both before a disaster and after a disaster, funded initiatives to increase things that people and families and communities can do to reduce the risk of those psycho-social costs, because those psycho-social costs and the mental health costs are in all significant to people, and there is an enormous cost burden as well as a toll on families on the fabric of community, as well. And so that was the main points.

MR COPPEL: Thank you. In our terms of reference we were asked to look at the economic costs of natural disasters, or the costs of natural disasters and it's true that there's much more information or it's a lot easier to calculate costs on tangible things like assets. But we do also recognise that there are costs involved in things that are affected in a non-tangible way, but they're a lot harder to get a grip on. Are you aware of any methods that can be used to try and assess these non-tangible costs, such as trauma or work that has been done that has looked at this in an Australian context?

MS BURKE: Yes. I don't personally know of any but just yesterday when I was reading a couple of articles in preparation for this I noticed that a money figure had been put on the mental health toll after a recent disaster and I thought, "Well, that's interesting, I wonder how they calculate that?" And I could take that as a question on notice and go back to Professor Kevin Ronan, who would be the one who would be most - he's the one who talks most in dollar sets and is most trying to put a monetary figure on that psycho-social toll and send you some relevant articles that might answer that.

MR COPPEL: You stressed the importance of messaging and communicating the nature of risks and how to respond or treat those particular risks in the event of a natural disaster, who do you see as carrying out this role? Is it a role of Federal government or State government, local governments? Does it lie with communities?

DR BURKE: Certainly the roll out of this program could be best done in community. But if we just consider, for a moment, that there are a range of ways in which risk messaging can be communicated, going from probably less effective but easier to do government funded campaigns, like that Queensland one, which is about public health, public messaging, way down to the other end where a program would be a more interactive, educative community-based, socially-based program, then different jurisdictions would have different responsibilities for it so, of course, that bigger level of campaigning has tended to be done at a government level but the delivery of the programs that are more community-based and educative that would be

done in schools and through communities would probably be more likely to be a state or a council funded initiative.

5 Those are the ones that are more effective. So a lot of the research that Professor Ronan has been doing around the school-based and youth-based programs do have a greater proven efficacy of changing behaviour and increasing the risk reduction behaviour and improving preventative behaviours.

10 **MR COPPEL:** Can you give some examples of how those responses have actually led to tangible differences in response?

15 **DR BURKE:** One program that he ran with a group of youths in Canberra, in a fairly high bushfire vulnerable area, the young people and their parents were enlisted in the program, the parents didn't participate in the program but were filling in measures of questionnaires because what they were particularly interested in was seeing how what the young people were learning was transferring back home to changes in behaviour in the family home.

20 What I found quite (indistinct) about this study was that these weren't young people who were necessarily highly connected in their home, they were not all of them in school, they were participating in a youth program. So they participated in a series of five sessions to look at improving their understanding and awareness of risks involved in floods, heavy storms and bushfires, they being relevant in that region.

25 So each session somebody from the CFA - not the CFA but whatever the Canberra-based fire authority is, or the SES, would come and spend an hour talking with these young people and showing them pictures of the trajectory of storms and the trajectory of fires and what fire behaviour is and what are ways in which we can prepare and plan and reduce our personal risks.

30 Then after that, the young people would have an opportunity to discuss and to ask questions and to engage with it and to talk about what that would feel like for themselves, which is bringing in a whole lot of psychological preparedness stuff as well, which I'd also be very happy to talk to you as an important strategy there as well.

35 It was through their utter engagement with each of those topics on sequential sessions that led to this increase in uptake of disaster preparedness behaviours within their own home. Increase in their knowledge about disasters, their own capacity to personally prepare and also a reduction in anxiety and distress about things as well, which was obviously a good outcome too.

MS CHESTER: Susie, in our draft report there's one figure which, for me, is kind of like the most important figure in our entire report, and that is going through a bit of a spider web map of what are the economic costs of natural disasters. And the area that you're focusing on is important because it's
5 about those non-market costs and, as Jonathan says, they're incredibly difficult to measure and we know, with some natural hazards and natural disasters, they have very long, fat tails and the consequences SOCO, social and communities.

10 If we sort of step back for a moment and view mitigation as reducing the economic costs, it could be soft or hard mitigation. It doesn't need to be flood levies all the time, it can be preparation and preparedness, which is what's key for what you're talking about.

15 For us, when we looked at the economic costs in our draft report it was very much a helicopter down, we didn't have the time, nor the data, nor the research to do the bottoms up, which I think is critical to the evidence that you're giving to us. I'm not sure if you're familiar with the work of John Handmer, from RMIT, he's actually doing this at the moment. He's doing
20 that bottoms up - the economic costs and I'm just trying to think that that sort of information then informs how that soft mitigation is framed, once you understand those long market economic costs.

25 I'm just trying to think of what's the mechanism to take the evidence that you've got and make sure that it informs the roll out of soft mitigation. Maybe we do need to be a little more careful in our report. I think we try to say that the mitigation spend by the Commonwealth government, matched by State jurisdictions, isn't all about hard mitigation it is about soft mitigation. Do you think that that might be an avenue to ensure that the work and the
30 research that you're talking about does feed into those soft mitigation initiatives going forward, or are there other avenues that you think might be more appropriate?

35 **DR BURKE:** No, I would think that sounds like a good approach. I was just thinking, as you were talking, the one thing that I can say with confidence is that the soft mitigation approaches are way, way, way cheaper to fund than the bigger picture infrastructure planning land use insurance. Always.

40 **MS CHESTER:** We'll give you John's contact details then you can follow up there.

DR BURKE: Yes.

45 **MS CHESTER:** Because I think, from our perspective, it's an area that we found difficult to grapple with in the report, particularly given the timeframe, but we want to make sure that that mitigation spend is done as cost

effectively as possible, in terms of getting best bang for buck and we want to make sure the soft mitigation is in there as well.

5 **MR COPPEL:** One of the observations that was made during our meetings with various participants during the inquiry process is that when it comes to communicating behavioural responses to managed risks, or in response to an event, the effectiveness of that really starts to fade, as a recent natural disaster becomes more of a longer term memory and I'm wondering if, in the work that you do and your colleagues do, there are mechanisms that are being used to sort of stymie that tendency for people's behavioural response to become weaker as the memory of a major natural disaster becomes more distant?

10
15 **DR BURKE:** Are you saying that the amount of time between learning an important behaviour around preparing for a disaster, like having a disaster plan, is separated from an actual event then the re-learning needs to be happening again ahead of it?

MR COPPEL: Exactly.

20 **DR BURKE:** That is generally the approach anyway, that ahead of every disaster season, and this has been the case for decades and decades, for the local newspapers, the local emergency services will go hard out at delivering a range of risk messaging across and through a number of different media to freshen, I guess, everybody's awareness of the importance of making a disaster plan.

25
30 In a way that would be, essentially, the most important measure for people to do as a way of protecting themselves and their property and their families and reducing the psycho-social costs would be the thorough preparation of a household plan, which also incorporates what I mentioned before, which is the psychological preparedness. So an understanding of what it would feel like and what you might be thinking as you approach a disaster so that you can be managing your emotional response to it and sticking to the plan. The ultimate point being sticking to the plan. There's a lot of research that shows that.

35
40 I guess it would always be the case that ahead of a known natural disaster season that there would be this increase in messaging so that you've got that greater proximity to an actual event happening. So it is an ongoing thing.

45 **MS CHESTER:** So it would be helpful in our finalising of the report if you are aware of research that looks at the effectiveness of these soft mitigation programs and any research related to that so we can make sure that we've got that evidence when we're talking about the difference between soft and hard mitigation, what might be the net economic benefits.

5 **DR BURKE:** Yes, I can provide you with some material. The other point to just make about that is that whilst we do have a lot of messaging that does go out ahead of a disaster season to increase people's preparedness, there actually hasn't ever been all that much analysis of those materials; of the pamphlets, of the videos, of the public messaging, to see whether it actually is effective. Which messages are most effective in changing behaviour? And I could also provide you some information and research that's been done around that.

10 **MR COPPEL:** That would be useful, thank you. Thank you very much for participating today and thank you, also, for the initial and the submission on the draft report.

15 **DR BURKE:** That's a pleasure.

MS CHESTER: Thanks very much.

20 **MR COPPEL:** Our next participant is Antonella Cavallo, from Adelaide University, who will be joining us by teleconference.

Good morning, Antonella, it's Jonathan Coppel here, I'm one of the commissioners, together with Karen Chester.

25 **MS CHESTER:** Good morning.

MS CAVALLO: Good morning.

30 **MR COPPEL:** For the transcript record, could I ask you to give your name and organisation and then if you would like to give an opening statement of about five minutes, and then we'll be able to discuss some of those issues and some of the issues that you put forward in your response to the draft report in your submission, that would be very helpful. Thank you.

35 **MS CAVALLO:** Thank you for the opportunity to attend via teleconference this morning. My name is Antonella Cavallo and I am an international PhD student at the University of Adelaide in South Australia.

40 In my PhD I'm investigating the applicability of complex systems thinking to build safer communities. Over the last three years I have worked with the South Australian Fire and Emergency Services Commission, the nine South Australian Hazard Leaders responsible for disaster prevention and mitigation in South Australia, the Adelaide City Council and City of Onkaparinga, community members and the Australian Red Cross. The research project has been funded by the Australian Commonwealth government, through the National Disaster Resilience Grants Scheme and the
45 University of Adelaide.

5 The purpose of my study is to investigate bottom up drivers of resilience in the wider community and better understand systemic barriers that prevent community members from building their own readiness to disaster risks. I have particularly focused on unknown, unexpected and systemic risk, so I call them complex risks. These are risks that have never emerged before or the institutions are unaware of.

10 So to begin let me introduce the concepts of specified and general resilience. Specified resilience refers to known risks, the ones that we are able to assess. General resilience refers to all hazards, including those unexpected and unknown.

15 A resilient community should be able to face known and unknown risks. Therefore a resilient community should build specified and general resilience. Traditionally mitigations tend to have focused on specified resilience. For example, the underlying assumption of the National Emergency Risk Assessment Guidelines, NERAG, is that unless we perceive the risk and we communicate with specific risk we cannot say that a community is building resilience, which is, of course, a problematic assumption.

20 They are a very important tool for disaster reduction in NERAG, however they only cover what we are able to know today. This is perhaps good enough for today but we need to prepare for a different future, as the draft report has identified. So there is space for a complementary approach that looks at risk management in a more holistic way.

25 To this end I welcome the fact that the draft report addresses the need to invest higher amounts of funds in mitigation. However, I'm concerned that the recommendations formulated in the draft report do not leave sufficient space for remuneration in disaster reproduction in Australia. It has been also highlighted by the Bushfire and Natural Hazards CRC in their last submission.

35 More specifically we need to understand better how to prepare communities for complex risks. That is, how to build general resilience. In my research all participants, government, Red Cross, community members, supported this cause, but they saw the lack of support from the top as a major deterrent to adopt this new way of thinking. For this reason it would be important that funding schemes explicitly addressed general resilience.

40 This is an important aspect that has been taken into consideration also by the OECD and reported in the forthcoming United Nations Global Assessment Report 2015. Moreover, the assumption that individuals will inevitably pick up the information provided is only partially acceptable.

5 This type of thinking can be associated with the command control, top down approach, that is still predominant in the disaster management world. While this logic seems to be still appropriate in response, risk mitigation needs to calibrate push and pull strategies otherwise success will not be sustainable over time. Mitigation strategies need to go beyond this belief and create systems that guide communities' self-organisation towards more sustainable and safer practices.

10 Investing in resilience building activities that cut across a number of risks may help government increase community self-organisation and action. This, in turn, means communities are less dependent upon a continuous feed of information, resources and support from government and they are able to manage uncertain risks which cannot be managed through hard mitigation, to use the language of the draft report.

15 Research has progressed significantly in recent years, however, the fact that researchers have to compete for funding with a plethora of other non-academic projects is not an incentive for collaboration. Practitioners and researchers need to be incentivised to work together. Funding schemes are fundamental to encourage collaboration towards traditional academia, government and community sector boundaries. So I suggest that the report specifically mention the central role that research and innovation play in disaster risk reduction in Australia and converge it into funding schemes that encourage these partnerships.

25 In conclusion, as far as mitigation is concerned, I'd like to recommend complementary forms of risk management are considered that aim to deal with general resilience in the wider community. That innovation and exploration of further approaches to community resilience building processes is encouraged through funding schemes and that partnerships between researchers and practitioners, so government, NGOs, community members, businesses et cetera, are encouraged and supported with specific funding schemes.

35 Are there any questions, please?

MR COPPEL: Thank you, Antonella.

40 **MS CAVALLO:** Thank you so much for this opportunity today.

MR COPPEL: You're welcome. Maybe I could start asking you a question in relation to the concept you made of general resilience and you called for funding schemes that support general resilience. Could you elaborate a little bit more on what measures could be taken to achieve this goal of boosting general resilience?

5 **MS CAVALLO:** Well, the problem that I have seen in my research is that basically the instruments that are available today to institutions but also NGOs are based on hierarchies. They are like hierarchies in organisations but also hierarchies of decision making processes and this stops people in these organisations and the government to actually engage in more - in network activities that would better suit the type of complex problems that we have, the type of systemic risks that we are already facing.

10 In this sense it would help if funding schemes would specifically encourage networking and integration throughout the whole disaster management sector, and particularly - like my research is particularly about mitigation.

15 **MR COPPEL:** Could you give an example?

MS CAVALLO: An example of?

20 **MR COPPEL:** How to engender this network form of support for general resilience. I'm just trying to get a better feeling.

25 **MS CAVALLO:** Yes. For example, in South Australia every head or leader, so every government agency is responsible for the disaster prevention and mitigation of one specific risk. So you have the police responsible for terrorism, DEWR, which is the Department of Environment and Water, responsible for floods and river bed collapse.

30 Every agency is responsible for a different risk and integration of risk management plans is - at the moment happens to - I believe that has been done with NERAG directly, because to inspect risk assessments more people, more agencies are involved in the space - risk assessment of a specific risk. But there is no general integrated planning of this, for these risks and also apart from identification of the risk, there is no call at the moment for agencies to actually resilience in terms of general resilience, so in terms of bottom up activities. There are the occasional community development activities, but there are no strategies yet to acknowledge that communities have strengths and assets that can be used to deal with resilience in the community. At the moment we tend to take them for granted.

40 One of these, for example, is social capital, but at this stage there is no general strategy which integrates our ability to mitigate risks and at the same time to keep a safe operating space for whatever happens.

45 **MS CHESTER:** Antonella, just maybe going back to first principles, and we had an earlier participant this morning where we were talking about what really is the underlying objective of mitigation and at a high level it's kind of like how do we reduce the potential economic costs of these risk events.

MS CAVALLO: I'm sorry, you're breaking. I don't know whether it's possible to talk closer to the microphone.

5

MS CHESTER: Is that better? Were you able to hear Jonathan before?

MS CAVALLO: Yes, but the sound, generally, is not very good.

MS CHESTER: Is that better?

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MS CAVALLO: Yes, it is, thank you.

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MS CHESTER: So if we're looking at what's the objective of mitigation; one way we were talking about it earlier this morning was about reducing the potential economic costs of a risk event occurring, whether it's a natural disaster or whatever. So if we take this broader, more holistic approach to resilience that you're talking about it would be good to know what evidence there is from the research about how that more general resilience, embedded in mitigation initiatives, would reduce the economic costs of these natural disasters or risk events.

20

MS CAVALLO: Look, you're hitting on a major point here. While general and specified resilience are actually the two concepts for social ecological systems so they are absolutely no new concepts, it's just that its actual reproduction has come to them just recently and on an international level.

25

It is clear that the natural thinking that is underneath these two theories has to find field practical examples of how to do it. My research is also trying to fill that gap. But the fact that - the thing about general resilience is that it works in a different way compared to specified resilience, meaning resilience to non-risk, because the problem that we have with general resilience is exactly monitoring and evaluation.

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So I know from discussions also with Red Cross, for example, that while we know from our experience - from the experience of NGOs, that general resilience programs have a very high added value for the community, it is very hard to actually evaluate how much exactly. How many people exactly have been put in - for example, in terms of social capital, how many people exactly have built meaningful relationships after a program session?

40

It's very hard to measure and I suspect that because of monitoring and evaluation would be much higher because of the need to prove things that are hard to measure. We come here to a point where it is probably measuring the benefits - the cost benefits of adopting the general resilience approach is not the way to go but, rather, only revert back on what I call complex system thinking and understand that we are doing what we know from returns that makes sense and ultimately we'll be able to observe basically the benefits of this approach over time.

45

5 You know, I've been having these conversations with community members, government agencies, NGOs and all of them agree with this. There is no doubt that this approach is viable and very valid but the fact that there is lack of support from funding schemes and from the top of the hierarchy and also that compliance then is seen with the goal is preventing these people from engaging in activities that could actually help the community in a different way.

10 Another example of this is, for example, here in South Australia we've had (indistinct) so we have different zones that have been running zone risk assessments and what the government official observed is that at some point, for example, these people coming from these different zones started networking. So there is also a natural emergence of this networks across
15 different communities. It's a question of understanding how to guide those organisations more than designing programs that exactly have that purpose.

20 So what I'm suggesting here is not that we scrap the NERAG but rather I'm suggesting that we also embrace a complementary approach and one that allows us to build general resilience next to specified resilience.

MS CHESTER: I'm just wondering, given that general resilience is a very holistic concept and it would apply to any sort of risk event to an individual or a family or a business, does it make sense to embed general resilience in
25 broader policy settings of government, be it federal, state or local, as opposed to mitigation efforts that are just focused on a particular risk event, like a natural disaster?

MS CAVALLO: Well, strictly speaking, mitigation refers to specific risks so, yes, I agree with you. Whereas general resilience is about - like in
30 specified resilience we say, "Okay, what are the risks that this community may face?" Whereas in general resilience we say, "What can we do in this community to keep it safe? So I don't know what's going to happen, but how can we make sure that this space keeps being a safe operating space." So I
35 understand your comments.

MR COPPEL: In our draft report the final chapter looks at a range of policies that are not specific to mitigation. So examples include the role of
40 land use planning, the role of building codes, provision of information, the role that the insurance sector plays, in terms of managing the risk of natural disasters. Do you see these policy areas as areas which can contribute to building general resilience?

MS CAVALLO: I don't think so, they contribute to specified resilience.
45 What I found, as a potential - as something that could be potentially added to the report is exactly that bottom up thinking that role of government - of guarding (indistinct) organisation, which basically implies that first we need

to understand assets and needs of communities, but then we have to support basically what they're already doing to build their own resilience. Because in specified resilience we tell them what to do. We give them the building codes, we give them information, we push down information.

5

But in general resilience the things which makes it more sustainable over time is also that we try to understand community resilience, basically, what they're already doing and then we try to design supporting programs, based on what they're already doing which, of course, is more sustainable over time just because it's what they are doing anyway.

10

For example, one example of where specified resilience fails to support a community you will remember that there was a program which said, "meet your neighbour" in a way of particularly encouraging people to build relationships that would have been helpful should a disaster happen. But the thing that came out in my research, and I'm sure also in many other researchers projects, is that people who leave their house at 7 am and come back home at 7 pm and have a young family, they just have no time to engage in community activities that are outside of what they would already be doing. So understanding this type of circumstances is fundamental and that's where general resilience comes into place, because it's a push from the bottom, as opposed to be something that the government pushes down from the top.

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MS CHESTER: Antonella, in the research in this area - I guess I'm looking at if we focus on the individual, which is what a community is made up of, are there particular attributes of individuals, whether it's their socio-economic circumstances, that make them more resilient than others. What I'm thinking of here is that we've had evidence to suggest that when natural disasters occur in communities it's the lower socio-economic, or those with mental health issues where the economic cost can be greater, so that's where I was getting at when I was talking about the broader arms of government policy to help individuals be more resilient, in terms of having a job and being engaged in the community and welfare safety net, those sorts of issues?

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MS CAVALLO: Of course the most vulnerable will be very vulnerable but what we find these days is also that there is an increasing individualism and some research participants also called it "otherness" in the sense that people are becoming much more self-centred and household-centred so that people who are healthy and have a job they actually don't have any relationships outside of their household. So that potentially can also make them very vulnerable.

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This means also that those people that can potentially be an asset to the disaster happened are not going to have the capacity or the capability to actually help the most vulnerable in their communities. That's where the general resilience comes in.

5 Going back to your previous question, I don't think that general resilience should be not only a high level policy, like it should not be included in a high level policy but it would be important that every level of government is basically aware of these possibilities. But then I'm not a policy expert so I'm not able to give a definitive answer on this.

MS CHESTER: Thank you, that's helpful.

10 **MR COPPEL:** Thank you very much, Antonella, for participating in the hearing today and also thank you again for your two submissions to the inquiry.

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

MR COPPEL: Thank you.

MS CHESTER: Thanks, Antonella, bye.

20 **MR COPPEL:** We'll have a short coffee break and then reconvene at 10.40 where the Australian Red Cross will be our next participant. Thank you.

25 **ADJOURNED** **[10.19 am]**

RESUMED **[10.45 am]**

30 **MR COPPEL:** Australian Red Cross to come to the table and, for the record, when you're ready, if you could give your name and organisation and then a short statement, thank you.

35 **MR CLEMENT:** I'm Noel Clement and I'm the head of Australian Services.

MR COGHLAN: I'm Andrew Coghlan, national manager of the Emergency Services Program.

40 **MR CLEMENT:** Thanks for the opportunity to be here today and I just wanted to say we really welcome the draft report that you've already put out and recognise the comprehensive scope that it covers and looking at fairly complex issues, so congratulations on the work you've done so far.

45 I might just quickly talk about the Red Cross and a key issue around funding for not for profits and then hand to Andrew for a number of other key points.

As we've explained in our submission, the Red Cross is actually an auxiliary to the public authorities in the humanitarian field, so we're not technically a non-government organisation, although we are a not for profit.
5 We contribute to a wide spectrum of emergency management planning and activity, both in Australia and internationally, and I think probably the two things we're best known for is blood and our work in disasters.

10 To support that we invest significant funds of our own and particularly over the last five or six years we've really invested in this space and really built the work program up that we undertake, probably to better match what the community was already expecting of us, and that's an ongoing commitment for the organisation.

15 I did just want to flag up front that one of the challenges for us, and for other not for profits, is the funding of our standing capability by governments; state, territories and federal. We're not treated as other emergency response organisations are so while there's an expectation from the public, there's an expectation from governments in emergency
20 management plans that we respond in a disaster in a variety of roles. We are supported, in terms of reimbursement often and that varies, as you know, and changes depending on the disaster but we're generally not supported for our standing capability. So there's an expectation we have that capability there but there's not often the support to back it up, which is in contrast to other
25 emergency response organisations that are funded for their core capacity. That's not just for us that's for other not for profits as well.

Our own situation, we have about 5000 volunteers across the country that we train, we deploy, we continue to develop our work in this space and
30 all of that we support largely through the generosity of our donors. We're not suggesting that we wouldn't continue to contribute significant funding from our donor base to this space, but we think the balance at the moment needs to be addressed, both for us and for other not for profits.

35 Now I'll turn to Andrew to talk about some other issues.

MR COGHLAN: Thanks, Noel. Just a few specifics, in terms of the draft report. In terms of funding for community recovery; firstly, we note and support the concept of option 1, that a reformed NDRRA reflect the
40 importance of community recovery, moving the cost sharing for community recovery from cat C, under the existing, to category A.

We're very strongly supportive of that as we believe it will help support states and territories put in place long term psycho-social based recovery
45 programs. A slight concern we have relates to whether raising the threshold for assistance may, in fact, reduce the funding of some of that work and, hence, support for individuals and communities.

5 Second thing was around personal hardship payments, and again we're very pleased to see that the Australian Government Disaster Recovery Payment be amalgamated with the payments available under states and territories. However, we also note there's a suggestion that the AGDRP is too high in comparison with some other crisis payments.

10 We're concerned with that because in fact we think the grants are at the right level and if one was to make a comparison with other payments, such as things like the daily travel allowances, there's certainly merit in it, but in terms of the disaster context we would argue that the reduction in the grant amount would have significant impacts on people at their most vulnerable. We also believe it's critical to ensure that the longer term targeted personal hardship payments, particularly for people having lost houses, et cetera, remain in place as a safety net.

15 Thirdly, nationwide capability. While we acknowledge that clearly emergency management is essentially a state and territory government responsibility, there are a number of capabilities which we think remain best provided and funded nationally as their use and applicability is generally not state and territory specific.

20 As one example of this, we'd cite our Register Find/Reunite program, which is a revamp of an old thing called the National Registration Inquiry system, a process of people registering and reconnecting with family members after a disaster. At present we've been asked to negotiate the ongoing support for this with eight different state and territory jurisdictions with varying amounts, depending on the size and population of those states and territories. That becomes quite challenging in that if it's not supported through all states and territories when a large scale event takes place, we potentially have people ringing in from all parts of the country, even globally, to check on the wellbeing of relatives et cetera. So while notionally the system may be activated in one place, it's actually something that's used by the whole of the population, potentially.

35 Fourthly, in terms of mitigation and community education, Red Cross welcomes the recommendation that mitigation activity be funded in the order of \$200 million a year. We also particularly note and support the recognition that mitigation encompass both soft community education programs as well as engineering programs and we note the suggestion that these funds be again directed toward state-based activities. Similar to the importance of nationwide capability we'd support the view, I think also put forward by the Bushfire Natural Hazard CRC, that this could perhaps compromise some of the outcomes of broader national projects.

45 We'd also, just finally, suggest a restructure of the current program in relation to household preparedness, creating the potential for longer term,

three to five year, program structured funding which could lead to better outcomes through greater certainty for both funders and recipients and programs that have brought a psycho-social focus should also, we would suggest, be given priority within the funding rounds, as a lot of the hazard specific programs are currently funded from within state agencies recurrent funds. I'll leave it there.

MR COPPEL: Thank you very much. I note your comment from the AGDRP, what I'd like to ask you about is something which is closely related and that's the cat D NDRRA payment for alleviating stress in exceptional circumstances, where we are proposing that the criteria for that be embedded in legislation. I'd be interested in your views on that particular recommendation and also your views on how to define such criteria.

MR COGHLAN: Certainly the concept of embedding it in legislation is something we'd support, yes, absolutely. I think the more that these payments and support mechanisms are legislated the stronger the system becomes. In terms of the criteria for the embedding of it, I might actually take that on notice and go away and give that a little bit more thought.

MR COPPEL: So maybe then to continue this line of questioning; on the AGDRP we did identify a payment which is at a lower level that currently exists and we used it as a benchmark for reaching our assessment on the recommendation in relation to the level of the payment. You've made the comment that you think the payment, as it stands, is an appropriate level, so maybe if I can put the ball back into your court and get your explanation for why you see that as appropriate, vis a vis the alternative payment, which is at a lower level.

MR COGHLAN: Certainly. From our perspective we're dealing with those communities when events take place. People are very vulnerable. Essentially we think that that payment originated out of the concept - along with the state payments - equivalent state payments, originated out of the concept of providing basic support for people to go out and buy a few bits and pieces to get them over several days, which could potentially include a night or two's accommodation, depending on the scale of the event, and where temporary accommodation is or isn't provided.

To that end, we'd suggest that the current amount is quite reasonable. The other aspect of it is that it also supports local community recovery economically. It's a small contribution to supporting local businesses and so forth, if they've survived the event. People are able to go and spend a little bit of money in the local shops and so forth, so we'd be suggesting a cash payment, as opposed to cheques or money into a bank account, to enable people to actually start the business of the local community going again.

Essentially, on the basis that it could be three or four days' worth of activity that people are engaged in using those funds, we'd suggest that the current amount is quite reasonable.

5 **MS CHESTER:** I guess there's kind of two issues. There's the level of
payment and then there's the eligibility criteria. A related recommendation
we have is to make the eligibility criteria less subject to ministerial discretion
kind of policy on the run, which means it bounces around over time and you
can get quite perverse inequitable outcomes. It would be good to get a sense
10 of the current eligibility criteria have been materially tightened up to ensure
that it's really about those that have lost access to the family home. It would
be good to get the Red Cross's feedback on those eligibility criteria, as they
currently stand at the moment. Do you think they're appropriate or do they
need to be subject to any further changes, if we are looking at trying to
15 embed that into legislation?

MR COGHLAN: Sure. In terms of embedding it into legislation, my sense,
from the draft, is that you're looking at the duplication between that payment
and the state-based payments. In that context, having been fairly closely
20 involved in the state payments over a long period of time, I'd be suggesting
that the origin of that payment really is to support people with the day-to-day
activities in the first couple of days, the initial hardship, as the name suggests.

I think over time, as you suggest, we've seen some of the more perverse
25 outcomes where it became almost an automatic if your power was off, for
instance, for a day or two, you automatically got the payment, regardless
your need, and that skewed the concept significantly. Whereas the state-
based payments were always more about your capacity to actually respond to
and deal with the circumstance you find yourself in. I'd be suggesting that is
30 an important criteria.

The other thing with the State payments, which I don't think is reflected
in the AGDRP, because it's a unique one-off payment, is the state payments
are always built around the concept that this was a little bit of cash for
35 everyone to tide them over for a couple of days and then they may or may not
be eligible for the longer term assistance. The temporary housing support,
the long term rebuilding assistance, which goes under different names in
different states and territories.

40 That concept of it being a very quick cash payment available to as many
people as might require it, under reasonable circumstances, not just because
they've had the fridge turned off for a day or two, I think is really the key to
it. It's about those initial circumstances and not making it too hard for people
to qualify or too many hoops to jump through, because it's just that
45 immediate need when things are in a state of flux. You know, you might
have left your wallet in your house when you got evacuated and you've got
no access to it, therefore you've got no funds. Changing technology I guess

are addressing some of that, but I'd suggest it's that immediate need that we're trying to address that really applies to anyone, regardless of their financial circumstances.

5 **MR COPPEL:** You're not going to trade off attempting to be targeted in the support and on the other hand also being able to respond very quickly in the event of a natural disaster. Your argument seems to suggest that that trade off should focus on providing the immediate relief and be less concerned about trying to use those resources in a targeted way, is that a correct interpretation?
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MR COGHLAN: I'd suggest it's a balance of the two. I think it's a smaller portion of fund that is made available for that immediate relief when generally you won't have the time or the opportunity to make a detailed assessment of people's requirements and therefore eligibility, with the potential for a little bit of breathing space to enable systems and organisations to actually do some assessment of what the broader need is and then the more substantial payments come later on.
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20 **MR CLEMENT:** The approach we generally take with appeals is probably similar to this and it's sort of long held experience of us and other Red Cross societies around the world and it's generally we work on the method of err on the side of side of compassion. So in those immediate days after a disaster it is better to get some relief out there and some assistance to people and
25 potentially some people may not need as much assistance as provided, than to leave people without the assistance that they really need in those early days. That's always going to be the challenge of trying to target it too finely is you risk potentially cutting some people out who are in significant need.

30 The other experience we've had is often that people who need the assistance most won't necessarily be in a position to really jump through hoops if you put too many hoops in place.

MS CHESTER: You rightly point out that the states also have some other payment arrangements that currently are subject to, if eligible, reimbursement, under the NDRRA. We have had, in some our post draft report submissions from one or two state governments, a suggestion to abolish the AGDRP and just continue with the reimbursement of State payments. It'd be good to get your sense of where that would leave
40 communities impacted by natural disaster, in terms of the AGDRP payment, and whether or not that's really going to be replicated in what the states are doing today.

45 **MR COGHLAN:** Interesting question. I'd suggest that the people who are generally the recipients of the payments, they're actually probably not that concerned where the funding is coming from. They have a particular need that needs to be addressed on the day. That said, I think the challenge with

5 some of the state payments is there's an inconsistency between states and territories so while in New South Wales you might get X dollars for meeting X criteria, in Victoria the numbers might vary slightly. Any income testing, not for that initial payment but for the more substantial payments, again can vary a little bit.

10 I think while addressing the duplication is a really important thing to be doing, the concept of having a consistent amount of money available to people, wherever the disaster might happen, is a very important one and I think the time would have come anyway, when if we had a cross-border type event, where you're impacted - let's say Albury/Wodonga, or Tweed Heads and those sorts of parts where you're getting people getting different payments 100 yards across a river or whatever the border may be, I think ultimately that concept would have been challenged anyway. So I think the challenge with the State systems, in short, is the inconsistency of amounts between different places.

15 **MR COPPEL:** One of the important changes in the proposed recommendations is for eligible public infrastructure a shift away from a reimbursement model to an assessed damage model. So immediately following a natural disaster there would be a speedy assessment which would then be provided to the jurisdiction and that would allow the jurisdiction to use those resources in the way that it sees best fit to respond to and better prepare for natural disasters in the future.

20 A similar sort of thing could be envisaged in terms of supporting community recovery and I'm wondering if you have any views on this particular model, moving away from a reimbursement model to providing some form of grant and whether that should be on an annual basis or whether it should be on a per event basis?

25 **MR COGHLAN:** I'd see quite a bit of validity to it, from our perspective in particular. I think as Noel pointed out, at the outset, one of the challenges we have is working with states to see whether or not our costs, in providing some of that support in communities will, in fact, be reimbursed. It varies from event to event. It varies from state to state. For organisations like ourselves, it leaves us in a position of wondering will we or won't we be reimbursed here, therefore how much resource are we able to put into supporting a community.

30 More broadly, in terms of the community support, again I would suggest it would make for a more robust system where all the organisations involved, if they know the sort of money they're going to be dealing with, rather than waiting and hoping for reimbursement, potentially it provides a bit more solid footing for the sort of work that would be done, I would think.

MR CLEMENT: Both the payments for individuals as well as the grants for recovery that you're talking about, if there was greater certainty as to what sort of assistance would be available for communities, it certainly helps organisations like ours and others to decide where is there a gap. Where is there a need for an appeal, for instance? Where is there a need for philanthropics or corporate supporters to step in? Because we're often in a position, following a disaster, of philanthropics or corporates wanting to approach us to provide support and it can be quite challenging to work out what assistance is already going to be provided, depending on the scale of the disaster.

As you know well, the response to different disasters varies massively. For an individual who has lost their house the impact can be the same, but depending on what disaster they've been caught up in they can be part of a very large recovery program or no recovery program at all. So greater certainty in that we would certainly welcome.

MS CHESTER: One of the issues you raised in your submissions and in discussions that we've had with you is about sort of the fat liability tail once these events occurring, how some of those costs are quite intangible. One factor though that drives impact on family households is the level of insurance they may have, in terms of how they recover when they've lost a home and that goes to the issue of under insurance. In our draft report we identify a couple of recommendations where we try to ensure there's greater awareness of householders about under insurance. It'd be good to get your thoughts and feedback on whether those draft recommendations - firstly, is that the key driver of under insurance and, secondly, do those recommendations go far enough in terms of addressing those issues?

MR CLEMENT: I might kick off. Under insurance absolutely is an issue for a lot of people, so again if we look at our experience from emergency appeals that's where we would come across it quite a bit and it's surprising the number of people who think they are fully insured and aren't. That can be both driven certainly by a lack of awareness of what the true costs are going to be, as well as, of course, the impact of changes in building regulations and fire safety regulations, for instance, that can add costs that wasn't there when they were originally insuring.

So a greater awareness we would absolutely support, so people to understand what their insurance is covering them for and I guess we can only go anecdotally and we're not aware of any evidence that indicates that people deliberately under insure or consciously under insure. So awareness has to be a significant factor so we'd really welcome the recommendations around that.

As to how much further, I'm not sure what you can do about the fact that following a disaster there can be changes in building regulations or add

5 something additional on top that it's a significant barrier. If there's an emergency appeal in place, such as the Victorian Bushfires Appeal, that's able to bridge that gap, but there are many disasters, as I mentioned before, where you don't get that sudden influx of support to be able to get people over what's a significant hump if there's a change of regulations or there are regulations that have been put in place since they were insured.

10 I guess that's one of the things, are people aware of even reg changes that are happening when they're doing their insurance renewal to know that they should be increasing their insurance.

15 **MR COGHLAN:** I'd add to that that I'd suggest it's another thing that comes down to community education too and people being aware of exactly what they're buying, in terms of insurance products. I don't know about you, but when I'm insuring my house I'm thinking more about theft and burglary and that sort of stuff, rather than the potential for major disasters. It depends a little bit where you live and what the circumstances are. So I'd suggest it's a factor in community education.

20 The other thing I'd flag, too, is potentially insurance companies perhaps looking at incentives around if you're well informed and you take certain precautions around risk, there's benefits in terms of the premiums you're paying as well.

25 **MS CHESTER:** One other issue that you've raised in your submissions is around emergency management governance arrangements and what's the best way to engage with non-government community organisations like the Red Cross. This might be a basic question, but why is it that the Red Cross isn't at that table? When you've asked in the past, what's the answer?

30 **MR CLEMENT:** ANZEMC are we talking about?

MS CHESTER: Yes.

35 **MR CLEMENT:** I think the key concern is that if Red Cross is at the table then who next, who next, who next. So I think that's the key concern that comes back. It's why I pointed out, at the outset, our role as an auxiliary to the public authorities, which is not well understood. We're not a non-government in the way that a lot of other bodies are. We are internationally
40 recognised for the work in disasters. In fact international conferences of the Red Cross/Red Crescent movement bring together all the states that are signatories to the Geneva Conventions every four years, including Australia. There have been several pledges at those conferences around membership of key bodies, not named as ANZEMC but key coordinating bodies, so that's
45 the approach we've taken.

It's not something that we see a cost to, we see more of a contribution. But it is - periodically, not just in this space but in other spaces, it comes up where we'll work with governments very closely, there's a very close partnership, it's a natural relationship, but then there will be concern of,
5 "Well, if you're in the tent then who else will want to be as well?" So that's disappointing to us. We find other ways to contribute where we can, but we'll continue to wave the flag to suggest that we can make a contribution that's different to the other parties that are there and that's complementary.

10 **MR COGHLAN:** I'd also add to that that I think it's a great challenge for the National Strategy for Disaster Resilience where it talks very clearly about the importance of collaborative approaches across government, not for profit and the business community. I think a part of the implementation of that
15 strategy is really addressing some of that issue, whether it be Red Cross or others that the concept of having some community voice and some business voice in those key decision making places is really important, in terms of the way forward.

20 **MR COPPEL:** Are there other mechanisms that are used then to get that engagement? Maybe Outreach, which involves a number of community organisations coordinating, liaising?

25 **MR CLEMENT:** For us, we are part of the Disaster Recovery subcommittee that feeds into - ultimately into ANZEMC, so there are certainly subgroups that we're a part of. We've been through some of these situations previously where governments will form a committee, will want to have a government view, will then open it up to not for profits. We'll be involved and then they'll wind it back again. So I don't know whether it's a
30 pendulum or what it is, but you get sometimes more of a wanting to keep this tight to government. It's easier to manage and consult with not for profits and then other times they're more inclusive, you know, "We want to include you at the table." So it's not possible for us to really assess exactly what the motives or decisions are, in terms of alternatives.

35 The challenge for us is this is very significant work for us, as part of our priorities. It is for some other not for profits as well, but they're also marginally not for profits where this is a small part of what they do. So I guess it's working out - some of those consultative mechanisms may work
40 for bodies that are happy to just have a say and to provide input and is just a small part of what they do. It's a more significant challenge for us because a bit part of our strategy is we're wanting to inform and influence policy and strategy and that can be hard to do just in a consultative approach.

45 **MR COGHLAN:** I think that's the challenge is that the shift in mindset that organisations like a Red Cross, and others, can actually contribute to the policy agenda. While we don't set policy, drawing on insights from both within Australian experience and globally, we can bring some valuable stuff

to the table. That's the key, whereas I think traditionally the not for profit sector has been seen as a service provider who we will fund, subcontract, whatever you want to say, to actually provide a service. That's fine, we continue to do that, as do others. But to be able to actually bring some insights to those important tables and decisions and the sort of things you're doing here I think is really critically important.

For our own part, it's not as though we take our bat and our ball and we go home because we're not a member of different forums. For our own part, we run a lot of forums. Just last week we ran a session on the role of the not for profit sector in emergency management. We invite a range of people to the table to have those discussions and then we feed the results through to ANZEMC and other forums in states as well in different ways. So there's a good connection, we'd just like to see it a bit more formalised, I guess.

MR CLEMENT: Yes, we wouldn't want to leave here with you having the impression we don't have great relationships and great mutual respect with government agencies, because we do, we absolutely do, they're just, as Andrew said, some of those formal mechanisms where we don't quite understand, from our perspective we can only see gain for Government agencies in having someone like us involved, there are obviously other considerations that they take into account.

MS CHESTER: We do appreciate that Red Cross has also been involved in the Australian Business Roundtable which has been pretty influential in this space.

MS CHESTER: Will the ABR continue, is there a - - -

MR COGHLAN: Yes, absolutely. In fact, you know, the couple of projects we have done thus far around the cost measures, around mitigation and so forth that have been a factor in driving what you folks are looking into, as well as the more recent work on the research platform, they have been the first couple of things that we are looking at, potentially another project for the next 12 months of so. So, yes, my sense is that there is a very strong commitment from all the organisation involved that that will continue.

MS CHESTER: Are you able to say what the next project is?

MR COGHLAN: It's a little bit preliminary at this stage. Yes, once it's a bit more formalised I'll come back to you.

MR COPPEL: Thank you very much. And thank you again for your submission on the - for the initial submission and for your submission on the draft report.

MR COGHLAN: Thanks for the opportunity.

MR CLEMENT: Thanks. Cheers.

MS CHESTER: Thanks, Andrew. Thanks, Noel.

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MR COPPEL: Our next participant is the Australian Local Government Association. I invite Adrian to come to the table, and when you are comfortable if you could provide your name and organisation, for the record, and then if you care to make a short statement. Thank you.

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MR BERESFORD-WYLIE: Thank you very much. My name is Adrian Beresford-Wylie, I'm the chief executive of the Australian Local Government Association, and thank you for the opportunity to appear today. Natural disaster funding is a key issue for local government and, generally speaking, wherever a natural disaster strikes in Australia it affects one or more councils. And it's worth noting that when natural disasters strike the people we often see on our television screens taking the lead, calming the local community and talking about preparation and what is being done for recovery are local mayors and shire presidents.

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Local governments take their responsibilities around natural disasters very seriously, the impacts on local communities and local infrastructure can be very serious. For this reason the Commission's inquiry into natural disaster funding is being followed closely by councils across Australia. And as you will recall, about a third of the submissions the commission received on its issues paper came from local government.

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ALGA and several of its State association members have lodged submissions on the draft report, and today you seem to be getting a surfeit of Local government views, I'll leave that to a little bit later on. And there is a council here today too, and I acknowledge East Gippsland.

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There is a strong uniformity of views being put forward by local government associations and concern about some of the recommendations in the draft report. ALGA have long argued for an increase in funding from the Commonwealth for disaster mitigation measures, I'll just focus on that for a moment.

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In a report to the Council of Australian Governments in 2002 an expert group recommended that there be a new disaster mitigation package at that time, so we're going back 12 years, a new disaster mitigation program of up to \$25 million per annum for Commonwealth funding and continuation of the then regional flood mitigation program with Commonwealth funding of \$9.6 million, adjusted for inflation. If the Commonwealth had implemented those recommendations and if the funding had been indexed for inflation then the Commonwealth will be putting in perhaps around \$50 million today in mitigation. And in today's value we would have had between \$500 and \$600

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million in Commonwealth funds invested in mitigation since the end of 2002. That hasn't been the case, the actual figure has been perhaps half of that at best.

5 The funding was recommended with the expectation that all levels of government would achieve savings from that investment. We welcome the Commission's recommendation that Commonwealth mitigation funding be gradually increased to around \$20 million per annum today, to \$200 million, but we don't agree that this should be done if the Commonwealth first
10 reduces its relief and recovery arrangements or funding to the States, and that seems to be the tenor of your recommendations.

15 We think the evidence supports the value of investment in mitigation and that the two shouldn't be linked as a return to the community from investing in mitigation and somehow linking it to a reduction in relief and recovery expenditure is something we don't agree with.

20 We are concerned - and Alan Stokes earlier mentioned this - about the difficulty some councils may face if they cannot find funds to meet their part of mitigation expenditure. Now, I know that Jonathan has used that, as you said, that attractive set of words about jurisdictional funding, it is matching funding from jurisdictions. But if you look at behaviour there is a habit of State governments to expect individual councils, if they wish to implement
25 mitigation measures, to come up with matching funds or a proportion of funds. And there should be a recognition that some councils will not be able to put those funds forward and it would be sad if worthwhile mitigation projects went unfunded because of the way councils are treated in terms of their capacity to provide some sort of matching funding.

30 We are concerned by the recommendation that the Federal contribution for relief and recovery should be reduced. I understand that it is a useful mechanism for the productivity commission to say, really, it will be up to individual States to determine how they treat councils. And there is no reason for instance to suppose automatically that if the Federal government
35 reduces its support to State governments, that those State governments would reduce their support to councils. But, unfortunately, that's the way things generally happen and we might as well not gloss over the fact, we might as well recognise that any reduction in support from the Commonwealth to the States will, I think, inevitably flow on to councils.

40 States have, in many cases, instituted mirror arrangements with councils that mirror the NDRRA, or the NDRA as it used to be, and I expect there will be compensating reductions to councils. And a good example would be the minimum threshold for a natural disaster, if it's increased from \$240,000 to
45 \$2 million that will have significant impacts on councils. We do welcome the recommendations about flexibility for the use of day labour and the

ability to spend on betterment, I think that is something that local councils have looked for for quite a long time.

5 I looked through your report and it raises a number of issues about -
concerns for me about costs, but perhaps we might actually be able to deal
with that. I'll finish my statement there and we'll get in to some questions
and answers, I'd welcome that chance.

10 **MR COPPEL:** Great, thank you, Adrian. Maybe I can begin on this issue
of the overall cost of managing natural disaster risk. And in the report we
have identified that a predominance of resources are going into the recoveries
and very little into mitigation. And the report has identified that there are
some built in disincentives in the funding arrangements that lead to that
outcome.

15 One example of that is the higher cost share for recovery, vis-a-vis
formal betterment through the NDRRA. And what we are proposing in the
draft report is linking that mitigation fund to reforms to the funding
arrangements. Because if you can't adjust those incentives at the source then
20 increasing the mitigation funding is really not going to be achieving the goals
of better managing the overall costs of the risks associated with natural
disasters. And so that is one argument.

25 The other is that to fund the allocation of resources to mitigation we have
used a calculation of the imputed savings from the changes to the funding
arrangements for post natural disaster. It's a fraction of the estimate but it is
making that shift in terms of the balance between pre and post natural
disaster preparation. So, I'm curious to get a better understanding of why you
30 think it's not necessary to make that link, and in the absence of that link how
do you arrange betterment in such a way that you can achieve the goals of
better managing the overall cost of natural disaster risk management?

35 **MR BERESFORD-WYLIE:** I think one of the issues that we face is the
actual amount of money that is spent on natural disasters and post-disaster,
and specifically the amount of funding that is spent by the Commonwealth.
You have got a rather attractive table in your overview which is Australian
Government post disaster expenditure which shows this remarkable leap in
recent years, which I think has been of interest to everybody.

40 Although I'm unsure about the small scale of funding in the previous
years, it's such a small scale of funding that it surprises me. I recall in at least
2006 large scale expenditure on Cyclone Larry by the Australian Defence
Force getting involved there, and I don't know whether these figures for
instance include Defence Force expenditure as the Defence Forces have been
45 called in for recovery mechanisms; perhaps they don't.

I'm also mindful actually of the fact that we had an extended drought for such a long period of time, and some of our most difficult expenditures in terms of post disaster recovery have been from floods and therefore we may have benefited from the sort of golden year or series of years.

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I'm also mindful of the fact that I don't know whether these figures include decisions that were made certainly in the 2000s to formalise some of the expenditures that were made in the late '90s, early 2000s in terms of special schemes that were outside the scope then of what was the NDRA. So, the expenditures on Cyclone Vance, Cyclone Elaine, the Katherine floods, the special programs that were put in place for Southern Queensland and Northern New South Wales around the sort of '99, 2000, 2001 period to respond to floods were later incorporated into the natural disaster relief arrangements.

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I suppose the difficulty for me is that the relief arrangements tend to be an evolving mechanism. What is spent reflects entirely not just the incidence of natural disasters, but it reflects policy decisions to increase or introduce new payments, we have mentioned the AGDRP, we see that it reflects changes I suppose in potentially climatic conditions. You know, whether we suddenly come to an end of a drought or whether we have an increase in the incidence of arson, or whether we have higher temperatures leading to bushfires, there's a series of things which are going to impact on disaster expenditure, post disaster expenditure.

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I think there was always a view that expenditure on mitigation would reduce in a sense what would otherwise have been expenditure on post disaster recovery but it wouldn't necessarily actually reduce the amount of money, you know, it wasn't going to be a nominal step down based on mitigation. And I'm a little bit concerned that there is a link and an expectation that you can quantify the savings, in the past it's proven a very difficult thing to do to actually quantify the savings.

30

In terms of disaster mitigation there has been work done which, as a disaster mitigation, does pay back, it does have a positive benefit/cost ratio, work done in the '90s show the benefit of regional flood mitigation. And I suppose I'm standing on that to say that I think that there is a benefit of increasing the expenditure on mitigation per se. In terms of your recommendations there is an actual conditionality I think you're bringing in there which is if the decision is made to reduce expenditure then some of that money should be diverted to mitigation. And I'm saying that I think the mitigation should stand alone.

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In terms of the expenditure we see in the AGDRP and its increase, you know my views on the AGDRP, it's a latecomer in terms of expenditure by the Commonwealth set at levels which the Commonwealth had reference to and they were non-disaster type activities. I think that the report itself seems

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to drift into areas of saying let's maintain the AGDRP but look at how we might tackle some of the State programs that are there. I guess I see the State programs as having - I heard some suggestions here from Red Cross - a consistency across how States dealt with natural disaster expenditure in the past that gives them an integrity which the AGDRP doesn't actually have.

MR COPPEL: I'll just come back to this balance between mitigation and recovery and ask if you accept the premise that it is feasible to reduce the overall cost of managing natural disasters. If, for instance, you remove this tendency for a road to be rebuilt following a flood, in the same way, which was how the rules specified funding to be eligible for such a project, for it subsequently to be washed away the following year. And it may be that the road has to be there but it may be that it could be done in a different way that will build the resilience to future natural disasters. And by making that investment pre-disaster it should be conceivable to think that it is possible to reduce the overall cost of natural disaster risk management by avoiding such inefficient allocation of resources in these specific examples. Do you accept that premise is possible to reduce natural disaster risk management?

MR BERESFORD-WYLIE: Yes, I do. Surely it's common sense that rather than continuing to rebuild pieces of infrastructure that are impacted by regular natural disasters, that we should strengthen the infrastructure, although, that does raise a couple of issues. First of all, from our perspective, if it's a Local government owned piece of infrastructure Local government is constrained in how much it is able to spend on that infrastructure, and so you need a cost sharing mechanism.

Local government of course is, you know - there are constraints that occur in terms of how you replace a piece of infrastructure which has been washed away, there is a demand from a community that the infrastructure be replaced as quickly as possible. So, an extended process which says we're going to take one or two years to put a tender out and do a variety of things creates, inevitably, a difficulty for a council in actual dealing with its community.

I don't deny the opportunities to harden infrastructure where that is a good investment. There are always going to be a little bit of - there are going to be some problems if we try to reduce everything to a benefit/cost ratio however. I mean we should understand that there are investments that have been made in communities based on perhaps CSOs, you know, the provision of access is important. And if we were to suddenly say, well, we will only actually allow a replacement or an infrastructure hardening based on a pure benefit/cost ratio and then it will stack up against a variety of other investments across a jurisdiction, you know, that is a difficult hurdle to get over where the original piece of infrastructure would have struggled to pass a benefit/cost ratio assessment against other pieces of infrastructure.

5 I just caution a little bit there on using a pure benefit/cost ratio to assess that but I don't disagree that we would like to see investment replaced - investment infrastructure replaced rather, infrastructure hardened and an avoidance of continual repeat of investment in infrastructure if it is unnecessary.

10 **MR COPPEL:** Just one final point from me. One of the other issues that has been raised through the process of consultation for the draft report is that there is another source of inefficiency in that there is a great deal of prescriptiveness associated with how funds can be used, and the draft report is proposing to give greater autonomy to jurisdictions by moving away from a reimbursement model to a grant model based on a rapid assessment of the damage involved to eligible assets.

15 That would require making an assessment post natural disaster, and then with certain governance arrangements giving greater autonomy or discretion to the jurisdictions to determine how best to use those resources, so it would move away from - it would resolve issues associated with day labour that you have mentioned. I would be interested in your views on this shift away from
20 a reimbursement model towards what we are proposing in the draft report, whether you think it would resolve these sorts of issues in terms of the way in which resources are used most effectively, and if there are any potential obstacles to moving in that direction?

25 **MR BERESFORD-WYLIE:** Look, I'd welcome a greater autonomy, I think that's a great suggestion and I think allowing jurisdictions greater autonomy and councils a greater capacity to deal with things on the ground as quickly as they can, I'd welcome that.

30 In terms of constraints, a decade ago it proved very difficult to actually get information on disaster costs, post disaster. Just the capacity to gather that information proved very difficult, I recall the Commonwealth having some difficulty trying to gather that information. I think actually in the floods in 2012 people liked to bandy around, you know, comparatives, and
35 therefore Sydney Olympic swimming pool measures and all sorts of stuff like that came up, but the size of the flood was about the size I think - Europeans loved it - the size of Germany, which means that you are talking about an enormous area.

40 So if you are attempting to say that what is required before any work can begin is some sort of high level assessment of the costs, you need to be careful about putting in place a barrier to actually having anything done if the scale of the disaster is so large and the impacted area is so large there simply aren't the resources to undertake the, as you call it, the quick assessment if
45 that was necessary before any work could be done. So, I highlight that as a potential barrier that needs to be worked through just so that we don't set

ourselves, you know, that difficult hurdle to get over before anything can happen if we have got such a large scale disaster.

5 **MR COPPEL:** But wouldn't that be an issue under the current arrangements, if your area is underwater you wouldn't be able to make any assessment, even based on the reimbursement model, until you get a better sense of the damage it involved when the water subsided?

10 **MR BERESFORD-WYLIE:** It's sort of true, although it just depends, you know, I have no doubt that people will say, well, let's set some qualifications for the people who are able to undertake such an assessment and who will those people be. I'm just flagging that you will need to approach it in a pragmatic and practical way rather than saying, well, if we only, you know -
15 if there is only 25 people who the Commonwealth is prepared to accept as people who have, you know, qualified to undertake disaster risk assessments or disaster cost assessments, damage assessments, we just need a bit of flexibility there because we don't want to set a barrier in place that is going to cause a difficulty.

20 In terms of your other stuff, I'm not going to get into the politics of it because it sounds like it's a good idea but, in the past, the Commonwealth has maintained a close grip on its expenditures. And one of the reason that we have hurdles to get over is that the Commonwealth likes hurdles if money is involved from the Commonwealth.

25 **MS CHESTER:** Adrian, just going back to one earlier point. So, I guess what we are suggesting with changing the architecture - i.e. the thresholds and the cost sharing, setting aside the benefits of greater autonomy to State and local government - are sort of driven by two key principles.

30 The first one is the policy objective is that of a fiscal safety net when you're setting the threshold, so what is it that knocks around a State jurisdiction's finances. And then, secondly, the cost sharing rate is really based on what is the order of magnitude of vertical fiscal imbalance between
35 the Commonwealth and the State, so the Commonwealth earns more revenue and spends less.

40 They're the two principles that were kind of guiding where we went on the architecture, are they principles that you agree or disagree with?

45 **MR BERESFORD-WYLIE:** No, I agree with them. And I think actually that if we look back at that table, one of the problems there is that we seem to suddenly have this significant increase in Commonwealth expenditure under the Natural Disaster Relief and Recovery Arrangements. The original arrangements came into existence, you know, 30 or 40 years ago as a fiscal safety net and that was their purpose. I know that there is a suggestion in

your report that 75 per cent - and in fact people may gather from here that the Commonwealth picks up 75 per cent of the cost, well, of course it doesn't.

5 The 75 per cent threshold was set and it was expected it would be rarely reached, rarely reached. In fact the expenditure would generally be closer to 50 than 75 per cent. And of course if we look at the expenditure over the past few years I think the Commonwealth has borne about 54 per cent of the expenditure rather than 75 per cent of the expenditure and the State is about 46, of the NDRA expenditure.

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MS CHESTER: So the cost sharing is above the fiscal safety net, so the fiscal safety net concept is the threshold and then what the Commonwealth contributes above that threshold is driven by the VFI, the 50 per cent?

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MR BERESFORD-WYLIE: I would have said that the fiscal safety net is due to the fact that there are thresholds where there is a percentage of gross State product that needs to be exceeded before the Commonwealth buys into anything other than the personal hardship and the stress stuff, the 50/50, for an immediate cost, you know, what used to be called category A.

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The reality is, beyond that, it was expected that the impact on States would be so significant that perhaps the Commonwealth, with a substantial proportion of the tax revenue, about 82 per cent, would buy in. We know that there is a general view in the Australian population that there is an expectation that we as a nation will help out. We only have to go back and see the response in 2009 when, you know, that public appeal raised about \$350 million, indicating that people see some sort of expectation that they will collectively help out where people are in difficulty.

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Unfortunately, we collectively collect our taxes through the Federal government with 83 per cent of it, and there is an expectation that the Commonwealth will step in and assist a State when it gets high enough. But the actual first threshold, that first threshold was a proportion of gross State product to which the Commonwealth would then pay 50 per cent. Then, you know, there was the second threshold, above which 75 per cent is paid. And setting the thresholds, I think, is a recognition that, beyond a certain point, that second threshold is a substantial impost on a State government's resources.

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MS CHESTER: The other principles around the small disaster criteria, and that you touched on earlier, and I guess what we're trying to do there is distinguish between what is a natural disaster event and what is a routine weather event. It would be helpful if you could point to any examples of by moving to the 240,000 to the \$2 million that we're actually missing natural disaster events as opposed to a routine weather event, or what you think the appropriate level should be for the small disaster criteria?

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MR BERESFORD-WYLIE: It's a good point. I'll have to go away there and actually have a look at that because I'm not sure how much material has been kept. We know that States do of course impose that natural disaster threshold as well on councils. I think there needs to be a recognition that often States look at the NDRA, and that is what they set their own expenditure and their own support for councils on.

There is a view within the Commonwealth which is the Natural Disaster Relief and Recovery Arrangements simply say when the Commonwealth will buy in, and it's entirely up to a State to do what it will with its councils, however you deal with your councils is up to you, but this, the NDRA simply sets the boundaries in which the Commonwealth will provide assistance. But often State governments look at the NDRA and say we'll be guided by that too and that is what will apply to councils.

To go from 240,000 to 2 million seems a very large jump and I'm happy to go away and see if we can find out some good material for you on what disasters might have been missed, although, to some extent, that will depend entirely on what State governments have done. In some cases State governments have set higher thresholds than the minimum threshold.

MS CHESTER: One final question from me. In terms of the allocation of the mitigation funds we are suggesting in the report that that be allocated across State and Territory jurisdictions on a per capita basis, it would be good to get your thoughts on that.

MR BERESFORD-WYLIE: Someone earlier has mentioned the idea that it should be set on risk, and I think if that was achievable it would be preferable. I think actually you have talked earlier about insured losses reflecting a sort of per capita approach, I do see you have got a table on insured losses there but I see that in New South Wales we talk about just under \$5 million for hail. I guess I'm thinking in terms of natural disasters that impact upon infrastructure and the operation of communities rather than car damage. And I guess that using hail as the main - almost contributing half the cost in New South Wales, it probably distorts that figure a little bit.

I think if you could achieve - and I'm surprised actually, I recognise the politics of this - I'm surprised, I thought the Productivity Commission might have said see if we can do an assessment of risk and find out where we might apply our mitigation funding in a way which reflects relative risk as a starting point. It then may be that there is a, you know, inevitably some sort of - if there is a government decision it's a political solution and it usually reflects distribution of votes, not just distribution of risk, to be blunt.

But in your table I can see that, for instance, the expenditure on insured losses in South Australia was 1 per cent; South Australia is a benign State when it comes to natural disasters. But there is a little bit of a mismatch I

think between a per capita distribution and a risk based distribution and it would be unfortunate if some of those jurisdictions more prone to disasters suffered as a consequence of this, and I think probably Queensland is worth mentioning.

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MS CHESTER: Thank you. It is an area that we have got information requests around and we are trying to work through whether there are better methods that we can use to do it on a risk assess basis as opposed to proxy measures, trying to get a rough and ready risk assess basis as per capita.

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MR COPPEL: Just one final question on the mitigation funding, where we wrap that around certain good governance arrangements on how that funding is used, and one of those relates to using, where possible, cost recovery from those that would benefit from those investments. My question is what scope do you see for the use of local governments using cost recovery through maybe a special development levy, I'm not sure exactly what the word or the term that they use to part co-fund that mitigation investment, and is that something which would vary depending on the nature of the local government, whether it's sort of a coastal community or sort of an inland remote local government area?

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MR BERESFORD-WYLIE: Local government is not just a service delivering mechanism of course, it's an elected level of government, and it's the closest elected level of government to individuals. And you raise an interesting but a little bit of a difficult point here, and I'm going to illustrate it by referring to an anecdote somebody told me just a couple of weeks ago regarding Rockhampton and the wish of the council there to build a levee, a flood levee to protect a local community, and the fact that it was unable to persuade that local community that a small increase in rates was necessary to fund that levee, and in fact that case was lost.

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It's not the only case that has been lost, the only argument that has been lost by a council trying to persuade its community that there is value in investing in the mitigation. We have a habit of ignoring things and assuming that they will go away, or not dealing with them. I think actually people have mentioned the fact that people's acuity with regard to an actual disaster rises rapidly as soon as there has been one, but in between our interest dies away. It's a difficult situation for local governments to persuade communities of the full value of investing in simple natural disaster mitigation projects, it's a challenge that faces all of us I think.

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It's worth pursuing but I just point out that the actual political reality on the ground is very difficult for councils, and that is actually just a general rating application, a general rate increase, a levy to pay for a particular mitigation measure. It proved very difficult to get through. It's not the only one in Queensland, there are a number of other communities where it's

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proved very difficult to persuade individuals that the investment should be made.

5 **MR COPPEL:** Do you think that's independent of the other arrangements following a natural disaster that may bear on the sort of reluctance to invest in mitigation?

10 **MR BERESFORD-WYLIE:** Councils have such scarce resources that there are so many competing things that natural disasters die away in people's knowledge in between natural disaster events.

15 The fact is, that in most councils we don't have dedicated natural disaster officers, they're shared. It's part of their responsibility. The fact is that the interests of the Commonwealth, in dealing with natural disasters, tends to wane as well in between major disaster events.

20 One cannot shy away from saying that where we have unusual situations, such as substantial results, like that \$350 million fund that was raised after the bushfires, and the way the funding was treated. It tended to blur the situation regarding those who individually made efforts to insure and those who hadn't. We saw that people who hadn't insured received large sums of money and people who had insured, "Well, you've got insurance, away you go." It tends to blur the lines between what people expect and what they're prepared to do, in terms of individual resilience, if you like.

25 **MR COPPEL:** Thank you very much, Adrian.

30 **MR BERESFORD-WYLIE:** I'm glad you didn't ask me to touch on governance issues and (indistinct).

MR COPPEL: Thank you.

35 **MR BERESFORD-WYLIE:** I'm heartened by the fact that we've got a lot of other local government people appearing who can clarify and expand on what I've said.

MR COPPEL: We'll be having hearings in Townsville and Brisbane later this week where there will be many more local governments.

40 Our next participant is Gary Shaw. Gary, you can come to the table and when you're comfortable, for the transcript, provide your name and who you represent and if you'd then care to make a short statement. Thank you.

45 **MR SHAW:** Thank you. Good morning, it's a privilege to be here and thank you Commission for giving me this privilege. My name is Gary Shaw and I'm here to represent the little people of this country, this very proud country we live in here. Thank you for giving me the opportunity to speak on

behalf of the fair-minded people of the world and to share in some of the wealth of our wonderful country. My plan is to bring a more equitable distribution of funds to those directly affected by natural disasters in the future, and I emphasise that, it's in the future.

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I believe I've got a few minutes just to speak about myself and who I am and I'll keep it very brief because we've got lunch coming up and I know it's nice to be the last one before lunch because we look forward to that free lunch. I presume it's free today?

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MR COPPEL: I don't think there is a lunch provided.

MR SHAW: Yes, I've had 53 years' experience of people management, 36 years in the banking industry, retail banking, and 17 years as a volunteer in my local community and I joined the State Savings Bank in 1962, back in the pen and ink days, when they still need pens and blotter and ink, so it gives you an idea of my age. It was before my first teller school, I went to the first teller school in Melbourne, the first one the State Bank had, and in those days we used to have pistols. We used to have pistols and we had to go and have pistol training down at St Kilda Road barracks.

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That's just to give you an idea of the time I entered the bank in those early days. But then it came to the heady days of the '70s, with ATMs and bankcards and these cultural changes that came into the bank and turned us into a sales industry and not a service industry and so I experienced all those experiences of the old - trying to follow my old boss's advice. I had three golden rules I had to follow, I had to be absolutely honest, had to use as much common sense as I had and if I wasn't sure I had to go and ask him for advice. So for all my years I've done that.

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You might say I've done 53 years of research into human beings and people and how people tick. I think it's so important that we don't lose touch with the ordinary person. I didn't get into very high ranks in the bank, I didn't get up to any high positions but eventually in 1997 my boss came to me and he said, "The trouble with you, Gary, is you're too honest for your own good." I thanked him very much for the greatest compliment I'd ever received in my life and consequently I left the banking industry then and I became a full-time volunteer in the local community of and land where I was in.

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I've been on the hospital board for 25 years, Lions Club for 30 years and I've involved myself very heavily in the community and so during this time my wife and I raised three boys, two school teachers and a doctor son and they've now given - presented us with eight grandchildren under eight and the ninth one's due on New Year's day, so I'm pretty proud of my family and my life in general and I'm pretty pleased with it.

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5 I'm pretty happy to be here today, but one of my friends said to me one day, "You know what true happiness is, Gary?" And I said, "No, what's true happiness?" And he says, "Good health and a bad memory." I think that's so important that we realise that our health is our wealth and our families are our greatest assets in this world.

10 I've been thinking about this for quite some time and when I wrote my letter to Tony Abbott, to our Prime Minister, as a result of that I'm sitting here today. I'd just like to share with you - I'm going to read this because I don't want to miss anything out, so I just want to share this with you.

15 *I refer to my letter to the Prime Minister, which I've attached, in following my thoughts on how the fund could be set up to administer, initially, the government to sit down -*

I'm talking about following a natural disaster.

20 *we need to set up a fund that's in front of the natural disasters, rather than wait till a natural disaster happens and then what we do, we go out and we put out appeals and we raise money for these disasters. I'm looking at how we can get in front of the natural disasters, we know they're going to happen, irrespective or come what may, we can be sure as day is night that there will be natural disasters. So my thoughts were that we should set up, initially, the government to sit down with the four major banks, who are currently posting record profits and struggling to gain the respect of their customers and suggest, as a goodwill gesture, to revive this respect they could donate a small portion, I've suggested 5 per cent, of their profits into the above fund, into a disaster fund, which is set up for future disasters.*

35 *The government could initially give a grant of, say, \$10 million, just to kick it off. Naturally the banks would have to get permission from their shareholders, but I'm sure this would not be a problem, once the fund is established. One of the four major banks could become the major sponsor, providing their software to process loans to those directly affected by natural disasters.*

40 *The key to this is that you never give people money for nothing, you must always give them that sense of control of their life and you lend people money. These loans would then be over a 20 year term, free of any interest, and this would not only allow the recipient to get back on their feet financially, given time, but it would also preserve their dignity and self-esteem. Currently under the existing schemes the most deserving cases often miss out on the grant money available because they are too proud to receive what they consider*

to be charity, while others can tend to take advantage of the situation by claiming the funds as an entitlement.

5 *Approval of the loans, in my opinion, could be best managed by a not for profit community service organisations, such as the Uniting Church, which I've been involved with for many, many years. I say the Uniting Church, because it was founded in 1977 in an attempt to unite religions in a non-denominational. It has the necessary network and agencies, Uniting Care, in all states of Australia. It currently provides more welfare assistance to the needy in Australia than any other churches and welfare organisations combined, including the Salvation Army.*

15 *Naturally, the qualification criteria would need to be managed professionally, but I've only attempted to put forward a very brief overview concept, which I believe, given my years of personal management, with managing people and the finance industry and as a volunteer, would go a long way in giving everyone a fair go and bring some equity and pride back to this lucky country of ours.*

20 *In my personal opinion, our wealthy country needs to do more listening to the ordinary person and actually hear their opinions and a bit less to those in the powerful positions, or the so-called disadvantaged, and try and improve the communications between the two and get a better balance of opinion.*

25 *I firmly believe the above plan would go some way to address the current trend as the rich are getting richer and the poor are getting poorer. I hope to present -*

30 I've said here, "I hope to present it in person" which I'm doing right now.

And I would be quite happy to answer any questions that people might have.

35 I know this sounds very in the cloudy type of thing, but as far as I'm concerned, I just want to see this country become a country that we can be very, very proud of and at the moment I just feel there's very much an imbalance and I'd like to see that big wheel turn around and this would be an opportunity to set up a system that caters for all people. And the idea of signing a loan document and when they're in a position, on their feet again, imagine the feeling that they are able to achieve this by themselves and they would be happy to pay the money back.

45 I visited Marysville, with my wife, soon after their fires, well actually a year or so after their fires and one of the shopkeepers there said to me, "If it hadn't have been for the wives pressing their husbands to take advantage of

grants they wouldn't have got a lot of the grant money because they were too proud to receive the money that was rightfully theirs."

5 That's my submission this morning and I know it's, as they say, it's bigger than Ben Hur, but I believe that my experience of dealing with people over the years that people really want to manage their own affairs, the genuine people, and sometimes whatever system you have in place there'll be somebody trying to take advantage of it, but I don't think the system should be set up to try to prevent people taking advantage of a system, I think the
10 system should be set up so as that everyone has an opportunity to actually apply for money that they know that they've only borrowed and they will be paying it back when they get on their feet. So that's my submission this morning to the Commission.

15 I'd be happy for you to challenge me on anything because I believe that this world isn't about problems, it's only about challenges and I've been inspired by some wonderful people that - worldly people, Nelson Mandela and these type of people that you're the master of your destiny and captain of your fate and Mother Teresa, and I actually - I brought in a Mother Teresa
20 quote this morning and I would like to share with you. Mother Teresa's action, because I was retrenched because I was too honest for my own good and I like to share these words with you this morning.

25 *People are unreasonable, illogical and self-centred, but love them anyway. If you do good people will accuse you of self- ulterior motives, do good anyway. If you are successful you win false friends and true enemies, succeed anyway. The good you do will be forgotten tomorrow, do good anyway. Honesty and frankness makes you vulnerable, be honest and frank anyway. What you spend years building may be destroyed overnight, but build anyway. What you spend - people really need help but may attack you if you help them, help people anyway. Give the world the best you have and you'll get kicked in the teeth, give the world the best you've got anyway.*

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35 Milton Bell sums it all up:

If opportunity doesn't knock you build a door.

40 I'd just like to share those with you this morning, that's my thoughts.

MR COPPEL: Thank you very much, Gary.

MR SHAW: It's just on 12 o'clock so you'll probably be able to go to lunch.

45 **MR COPPEL:** You made the point about provisioning for natural disasters through a fund before the natural disaster occurs, rather than funding post

5 natural disasters and I'd like to make a comment that in the draft report we basically endorsed that concept. We looked at the notion of creating the fund and we favoured the government providing a provision in the budget for natural disasters, which is achieving the same objective of providing prior to a natural disaster, rather than the post natural disaster that it's partly providing. This would be one of the mechanisms that would work towards giving a greater incentive to be better prepared pre natural disaster than post natural disaster.

10 We are talking, in these funding arrangements, about essentially public assets, so that funding is provided by government, provided through a levy on business or on other business entities. So I just wanted to make that comment.

15 It's not something that's very easy to do because you don't know when a natural disaster will happen, but as you made the comment we know that they will happen, we just don't know when and where and the nature of that natural disaster but we still think it is possible to move in that direction and that would contribute to better risk management.

20 Maybe in that context I'm just a bit curious as to why you would see the role of banks being the funder of public assets?

25 **MR SHAW:** Well, I think they need a little bit of a boost to their self-esteem at the moment. They're doing it a bit tough at the moment and the image of banks at the moment is one of a sense of having all these - they boast about their profits and what they make and they haven't got it very good at the moment. They need a little bit of a shot in the arm for people to see that the banks have got a heart and if they were to be behind something like this, and they were seen as major sponsoring bank, maybe the Commonwealth, to use their software, this all helps to create a better image for them and then a sense of - they wait till they want to sponsor something, they'll give a million dollars to somebody or jump in like this. But when every year out of their profits they have to give, whether there's a disaster or not, to me that's a commitment where in the past they've never been committed to anything, they only just pick up the tab, "Yes, we'll give so much to this and so much to that."

40 So I just think it's about being responsible and I think it would be a good chance for the banks to step up. I say all this with respect, and I don't have any bitterness or anger to the banks because they retrenched me all those years ago. The fact is that banks have a responsibility to everyone, not just their customers but to the whole country. That's where they're making their profits out of and then to share some of those back with the little people.

45 That's the reason I would involve the banks and then you could imagine, it's a big wheel, as you've got a snowball going down the - a little stone and you start it down the snow-capped mountain, it's only gathering snow as it goes a

little bit and it gets bigger and bigger.

5 Banks have made a lot of their profits on compounded interest and this what I'm talking about with this type of fund, it grows and it's getting bigger. It's not just - if we don't have too many disasters it'll get bigger and then because it's an ongoing one every year there's the same amount going in. So that's the reason that I suggested the banks, because they happen to be boasting about their profits that they've made.

10 **MS CHESTER:** Gary, thank you very much and also for the Mother Teresa quote, which I think we all enjoyed, after a long morning of listening to participants.

15 **MR SHAW:** Yes. I thought a bit of light.

20 **MS CHESTER:** Yes. One issue that we're sort of grappling with is making sure that what government does, doesn't then result in impacting negatively the behaviour of businesses or householders and one issue we've got is that good businesses, if they're operating in a rational way, would also provision through business interruption insurance, so if they're hit by a natural disaster and they can't operate the business then that insurance policy kicks in and it keeps their cash flow happening. I'm just not quite sure how the fund that you have in mind, if it's going to give those grants or those loans to businesses that are hit my natural disasters, wether that might result in them not wanting to take out that insurance and doing that good provisioning that they should be doing themselves.

25 **MR SHAW:** Yes. There, again, it sounds like I haven't got respect for banks and I feel insurance companies are second on my list of people that I find - I say this with respect, but insurance companies are seeking out how they can avoid payment more than anything else. And you say about taking out insurance, so you'll have insurance if something goes wrong. I'm concerned about the people that they have this insurance but when the insurance companies look at the fine print they say, "You didn't read this properly so therefore you're not entitled to it." My concern is for those people that fall through the cracks, not - we're not going to discourage people from taking insurance, for sure, they would be high - they would be able to borrow more money if they had insurance, whereas the people that don't have insurance wouldn't be able to borrow as much money. That's the way I would see it.

30 **MR COPPEL:** Great. Thank you very much, Gary.

35 **MR SHAW:** Thank you.

40 **MS CHESTER:** Thank you, Gary.

5 We also support the recommendation about the state providing greater guidance on planning matters, in particular. There are a couple of areas that are front and centre on that at the moment, in the emergency management space. One is the bushfire Management Overlay and how it operates and where the responsibility sit for that and how that's going to operate in a holistic way in Victoria and the complications of bushfire and local management of bushfires.

10 The other is in relation to coastal inundation. So we are facing potentially significant issues along the Victorian coastline and Port Phillip Bay and so on, with coastal inundation and it would be better if we had a holistic model that's driven out of state local joint policy, in terms of the planning issues.

15 Obviously a point that you're going to hear from local government, at every session, is we do not like the notion of moving from 240K to two million. Concern about what sits under the two million cut off for the Commonwealth contribution and how that'll affect local government and the state, but particularly local government. I think the point I'd want to make to you is that when you - this mightn't apply in other states, but when you look at emergencies in Victoria, they generally - like in my lifetime almost all of them have landed in rural communities and particularly in smaller rural communities.

25 So the bushfires like Black Saturday - and I'm talking about much bigger than a two million, but the floods and so on have all landed in those communities that lack capacity. The councils have struggled to deal with it, under the current model, so changes to the model at those boundary points, we think, could have significant impact locally and have a drag effect on local economy and local community, over time.

30 We would suggest to you that some modelling of the impact of those smaller emergencies on those communities and what the recovery capacity could look like, I think, would be important as we move forward with this model.

35 I think the point that Adrian made before, about the balance between mitigation and relief and recovery is an important one and that the mitigation effort should go into those communities that have the highest risk, not necessarily the highest populations. So I assume in Queensland we're talking about the areas that are significantly flooded, in Victoria it's going to be mitigation around the bushfire and flood issues that we've seen in rural Victoria, rather than metropolitan Melbourne. We don't see, thank God, a lot of major emergencies in metro Melbourne.

5 The notion of this amazing system that measures the status of roads across Victoria, so in a relatively compact State like Victoria we have just on 130,000 kilometres of rural road, and - or of road in local government space, I mean, but a significant proportion of that in rural roads, so the capacity of councils, if you're looking at an insurance model for councils to assess the quality of the roads and so on, relative to an insurers' capacity or willingness to actually provide insurance I think is a big bite. There would have to be a lot of funding, I think, put in to deal with that matter.

10 I've wandered over a whole lot of territory but unless my friends here have anything else to say, they're smiling so I think over to you.

15 **MS CHESTER:** Thanks very much, Rob. I might open up on the issue you did welcome was greater flexibility, and I guess what we've coined earned autonomy for States and local governments, so there's greater flexibility in how the natural disaster recovery and relief money is actually spent on the ground gets around all those issues like day labour and betterment. Central to that, though, for us in framing that is coming up with a way of quickly - not prematurely, but quickly assessing what those damage costs are. And we've got a number of recommendations around that and a number of information requests, in terms of, you know, basic information, asset registers, benchmark costs for roads in different locations.

25 It would be good to get your feedback, given that there is that trade-off between if state and local government, on autonomy - under the reimbursement model autonomy doesn't work, we end up going back into prescription, so good to get your feedback on how feasible you think that is and over what kind of timeframe might be involved in transitioning to an arrangement like that, with your on the ground knowledge of local council government in Victoria.

30 **MR SPENCE:** I think it's a reasonable thing to do, in the road space, for example, because there are indicative costs of road construction across formed and sealed roads, gravel roads and so on, in the various locations across the state, because you get different cost structures, depending on what the climatic conditions are. But there are reasonable indicators for those things and I wouldn't think it would take too long to give you some benchmarks.

40 VicRoads have done the assessment of council's request for support under the current model and also have a pretty good handle of what a reasonable cost within there is, so I think that bit of it is okay. In relation to the other infrastructure in councils, there should be a reasonable understanding, I think, of the cost of replacement of that infrastructure.

45 It would be relatively easy for us to do a short piece of work to give you an understanding of what it might look like. We could do that for you.

5 **MS CHESTER:** That would be helpful. I guess the key there is because we want to make sure that as we transition to these changes that we have reasonable timeframes in place, where local government can really have the systems and the information in place that it's workable going forward.

10 The other issue that you've raised is around how we've framed the new look natural disaster/post disaster recovery arrangements, and you're right on the issue of the small disaster criterion, it's an area where we've also got information requests in the draft report, because when we prepared the draft report we didn't have event specific data, it wasn't available to us from states or local governments.

15 There's two issues there. I guess, firstly, what we're trying to do is differentiate between what's kind of like a routine weather event, like a maintenance spend, versus what's truly a natural disaster, and the small disaster criterion should help us to do that.

20 Secondly, if you looked at the insurance loss data, what comes through from that is non linearity. That is, 10 per cent of the natural disasters account for 80 per cent of the cost. So that's what intuitively got us to thinking the 240 was too low.

25 It would be good if you've got evidence of what events would we have missed, going back in time, going from 240K to two million that would intuitively look like a major natural disaster event?

30 **MR SPENCE:** I think all that information's, I would have thought, relatively easy to collect. I think the state would have it as well, but we can talk to our members and collect some data for you, relatively easily.

35 **MS CHESTER:** It doesn't need to be a whole data set, but just examples from your members that they think this - because there is a subjective issue here about what's a natural disaster versus what's a routine weather event.

MR SPENCE: Absolutely. Yes.

MS CHESTER: Just to get a sense of that, that would be helpful.

40 **MR SPENCE:** Yes.

45 **MS CHESTER:** Across the recommendations, the options that we had for framing the funding arrangements going forward, we kind of had a dividing line of two options. The first ones, option 1 and 2, is where the fiscal safety net, for want of a better description, the thresholds are cumulative over a year. So what knocks around a state budget that trickles down to local governments over the course of a year.

5 Our option 3 was instead of doing it on a cumulative fiscal basis is on an event basis. So grants for certain events that trigger the natural disaster arrangements. Does MAV have a view on the relative merit of the cumulative threshold versus the event specific threshold?

10 **MR GOUGH:** I think, looking at the Commission's options, option 3 would limit the amount of Commonwealth funding quite significantly into just very large events across Victoria. So what we're concerned about, which is also what we're concerned about with the small disaster threshold, is that you can have a municipality like East Gippsland, have a number a small events occur that do knock it around and give it a fiscal shock but don't necessarily, you know, register on that, on those thresholds that you're talking about. And so, from our perspective, we would look at a model that does sort of recognise the smaller disasters and recognise that there is a definite shock on a small council with a small rate base.

MR SPENCE: There's a cumulative effect in that.

20 **MR GOUGH:** Yes. And especially for some of those councils, they see events year after year as well so it's not as though it's a very unusual occurrence, the communities don't always have a long time to recover as well.

25 **MS CHESTER:** On the mitigation part of our recommendations there is a couple of issues there that would be really worth discussing with you today. The first one is an issue that you touched on, Rob, in your opening comments around how best to allocate that spend. And I guess there's two levels to the allocation, firstly, how the Commonwealth should allocate its \$200 million across State and Territory jurisdictions, and then you get to the State and Territory level, how should it be allocated.

35 We have suggested in our draft report that it be allocated on a per capita basis for two reasons. One, because settlement patterns and populations are a key driver of natural disaster costs, and, secondly, when we had a look at what risk graded data we had with the insurance loss data per capita wasn't too far off from that, although it does disadvantage Queensland a bit more than other States. So, I guess it would be good to get your sense, firstly on how the allocation should occur at the Commonwealth level and then at the State/Territory level, and what involvement for Local government in those decisions?

40 **MR GOUGH:** I think it's a difficult question. I think having a risk based allocation would be good if you could gather that kind of data, and I think that data would be difficult. Then you would also have to ask what type of risk are you actually talking about. There is also a potential for there to be some, I guess - I'm not sure what the Commission feels, but whether there is

an incentive issue with having mitigation funding based on risk, whether it a perverse incentive as well. But I think that for ease of the way that the Commonwealth can allocate for funding, I think a per capita model is suitable.

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MR COPPEL: Can I just ask you what you mean by it would create a perverse risk?

10 **MR GOUGH:** I'm not sure whether you would see money placed into certain areas that, you know, you could have mitigation funding going to renewal projects that don't necessarily reduce the risk as much as they could do where you would see perhaps the States over-inflate their risk to get more funding, things like that.

15 **MS CHESTER:** We have had some participants suggest to us, including in Sydney yesterday, that the allocation should all kind of happen at the Federal level, so what goes to States and then also what goes to the individual underlying projects, something like an Infrastructure Australia but for natural disaster mitigation.

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It would be good to get your thoughts on where you think the decision-making should happen around the actual projects and how we can make sure that we harness sort of the local community knowledge of what mitigation opportunities are there, and what the costs and benefits of those might be.

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MR SPENCE: I think the challenge of the Commonwealth working is whether they've got enough fine grain information to be able to determine where the risk lies. And I'd want to see a pretty robust model operating in Canberra before you took it out of State hands I think. And other States have a very clear view because they're on risk sort of - a very clear view of where the risks are and they've got a - they should have a strategy to try and mitigate this, so that, I think, should be the appropriate driver. I'm always nervous about things going to Canberra because it really does lose the local nuance of, you know, what is an effective outcome.

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MS CHESTER: One of the other key issues there I guess is if it's sort of partly a tops down in terms of the helicopter view of where the risk concentrations are, and then a bottoms up of what the mitigation opportunities are. That then raises the issue of the capacity of local council, local government to inform that bottoms up view, and we do identify that in our draft report as an issue. Have you got some thoughts or ideas on how that can be addressed so we still get the best bang for our buck and we're harnessing that local knowledge on mitigation opportunities?

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MR SPENCE: There is work that occurs within Victoria that gives us a reasonable understanding of where the large risks fly, and it may be as an

insurer goes through a process, you know, every, say, three or four years to do a reassessment of where we see risk lies, and where the risk lies, and what mitigating action could be taken to deal with that risk. So, I think it's possible to give you reasonable guidance about where the greatest risks lie in Victoria and what action could be taken to resolve them within the constraints of a community that is already developed, yes.

MS LAKE: Also at the moment, through the Natural Disaster Resilience Grants Scheme, you know, the MAV is nearly always involved in the panels and there is - submissions are put forward by local government as well, often in partnership with State agencies. So there is that discussion that happens first, the submissions come in and there is an understanding of the capacity of council to contribute. And with us involved we at least already know what is happening across the State so there's, you know, quite an innovative project that is put up, we'll see that there is potential to share that across the State at a later date. So, I think it's pretty good system at the moment, with sort of a fair chunk of it being a grants-based distribution.

MR SPENCE: We have comprehensive bushfire mapping and risk mapping, we have flood mapping, there's a lot of work being done on coastal inundation to name three of the big ones in Victoria. And that gives you a pretty clear, I think, understanding of where action can be taken if it's possible to do.

MR COPPELL: Rob, you made the comment that the current arrangement is not broken, and you also commented on the major disasters in Victoria, they largely hit rural communities and they barely managed. Is that linked to the scale of the disaster or does it suggest that there are better ways of managing natural disaster risks?

MR SPENCE: Well, it's partly to do with the scale of the disaster. But it's, you know - when you're dealing with councils with sort of sparse and small communities and declining populations, to deal with a disaster of, you know, one and a-half million is significant for them, you know. The smallest council - I hate to think what it's like in other States because if it's, you know, in New South Wales, and some of them have got some tiny councils at the moment, and Western Australia, but in Victoria, you know, the small ones really struggle to deal with anything that is extraordinary that hits them and the community struggle to bear it.

I think the issue really comes back to the way the funding model for councils occurs and the resolution of, you know, their capacity to deal with, to take the knocks and manage them I think rather than it being dealt with through, you know, an emergency management type model. It's a more fundamental issue I think.

MR COPPEL: But this terms of reference is the opportunity to look at those fundamental questions.

5 **MR SPENCE:** I'm trying to stretch you into financial assistance grants so you can fix that as well. Yes, it does. A lot of effort needs to be put into ensuring that the small entities are capable of dealing with, you know, the events that occur to them, you know, the organisations that have struggled in recent years.

10 You've got someone from East Gippsland come in who have done a wonderful job speaking today, they've done a wonderful job with bushfires almost every year and floods as well, and they survive, but they're not the tiniest of councils. Murrindindi struggled big time, Buloke struggled big time and is still struggling to recover, and financially, you know, not the most
15 robust council, yes. And I think there are a whole series of issues that sit around this that, you know, we need to think about how we assist them. Partly that is in providing them with strong financial support when the event occurs, but also people to do the job, and making sure that occurs as effectively and as efficiently as possible, yes. There's a whole array of issues
20 that sit in this space I think.

MR COPPEL: One of the measures in the draft report is based on building the resilience of communities, building a better preparedness and planning pre natural disaster through, for instance, a \$200 million fund for mitigation
25 matched by State jurisdictions. And wrapped around that are a number of principles on how that fund would be used, and one of those is, to the extent possible, use cost recovery for those projects, in particular where your local community stands to benefit and can at least co-contribute to that investment. The question then is how much scope do you see for that sort of arrangement
30 to be put in to place?

MR SPENCE: I think there is scope for it. We are in discussions with the State at the moment about flood levies around urban communities in rural Victoria, and a model where the capital gets injected at the front end by, say,
35 Commonwealth and State, to get the levy in place, and then the maintenance of the levy over time is dealt with by the local community out of the council's income structure. There is, you know, reasonable acceptance of that model across the councils and, you know, the communities recognise that there is a benefit to it.

40 I think it demonstrates that, you know, with the right capital injection it's possible to keep the model going off the local revenue streams but you can't get enough capital locally to actually do the job yourself, if you understand. So I think possible, and we have one practical example that we are working
45 through at the moment.

MS CHESTER: Rob, you touched on, in your opening remarks and also in your submissions, the issue around sort of land use planning and in particular State level SPPs. We have a collection of draft recommendations where we're trying to address what we think are some of the shortcomings based on the evidence that we received about land use planning really playing its role as an effective policy lever for managing natural disaster risk.

You mentioned earlier around whether gaps in the SPPs being set at the State level, it would be good to get your sense on that and how much the SPPs form sort of the key architecture for, effectively, what risk appetite is being taken onboard at a State level. And whether it's really the role of State government to sort of state what that risk appetite is and what they're really allowing to occur through the SPPs.

MR SPENCE: Yes. I think the Bushfire Management Overlay is a classic example of it. We have had a model with the BMO where, effectively, the fire agencies, the FA, were a referral agency with a veto power on any development proposed, and they used it. And what we have seen is significant community pressure occur because people have owned blocks of land and, you know, they want to build on them and all of a sudden the BMO pops up. And there's enormous community reaction to that because land that was valued at, say, \$100,000 is now valued at a dollar because it's really not useable.

So the States moved to a model now where they provided a structure that has greater detail in what is required to build on a site, but leaving the discretion at the local level. And at the local level that is the sort of front point of the connection between community angst and decisions on planning, and we've had councils who were advocates for easing of the BMO now are contacting us and saying we're really worried about this because primacy of life has sort of dropped off the agenda.

I think the model works best where they're in the areas of high risk, like the BMO or bushfire, that the State really is clear about its risk appetite. And at the moment I would question whether in fact they are. I think what they're saying is we've heard a lot of noise about this, we'll set up a structure that will push it down a bit and maybe you can deal with it locally.

I would suggest with BMO or with coastal inundation in particular, flooding is a bit slower, but those issue can occur that are quick and highly dangerous there, that the State identifies its risk appetite and has appropriate policies there to deal with it.

MS CHESTER: Across those draft recommendations that we've got around land use planning, if you look at it from the perspective of trying to get greater transparency, allowing local council, local government to make the tough decisions, and making sure that information that's reasonably formed

or reasonably based can be shared by council with their communities, do our recommendations go far enough to sort of meet those three objectives, or do we need to do more?

5 **MR GOUGH:** I think on the reliability recommendation in regards to being transparent about just providing information, I think what councils are also looking for is a protection from liability when they make planning decisions, when there's already a clearly formed risk appetite to say - guidance from the State to say here are the clear rules, and if council then makes a decision
10 based on those rules, then they're not going to be liable for events that occur after that or for someone not being able to build, or for new information coming to hand at a later point. I think that's the step further that we would recommend.

15 **MR SPENCE:** It's a question of where the State rules will allow something to happen that may happen in 25 years' time, whether the liability sits with the council for a decision it took under the State rules. So a hard issue to deal with.

20 **MR COPPEL:** The New South Wales model is down that alley, yes.

MR SPENCE: We like it. Yes. I think it's been thrown out, hasn't it? Someone said to me that it's - - -

25 **MR COPPEL:** Not the section 733, the guidelines on coastal management have been repealed, yes.

MR SPENCE: Okay, yes.

30 **MS CHESTER:** That covers all the questions that we had that we were hoping to run through with you today, so thank you very much.

MR COPPEL: Thank you.

35 **MR SPENCE:** Thank you.

MS CHESTER: I'd now like to welcome representative Mark Duckworth from the Victorian Government.

40 Thank you for joining us today, and also for the initial submission that we received from the Government and your involvement in meetings and our round tables. If I could just ask each of you just to respectively state your name and the organisation that you're representing, just so that we've got it for the transcript record.

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MR DUCKWORTH: Certainly. Mark Duckworth, Department of Premier and Cabinet, Victoria.

MS ELKINGTON: Megan Elkington, Department of Premier and Cabinet, Victoria.

5 **MS KENNEDY:** Donna Kennedy, from the Department of Treasury and Finance, Victoria.

MR WILSON: Andrew Wilson, Department of Treasury and Finance, Victoria.

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MS CHESTER: Thank you. Would you like to make some opening remarks? And then we'll get into some questions, thank you.

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MR DUCKWORTH: Certainly, thank you. We're here this afternoon to talk about the draft report that you have produced in terms of your inquiry into natural disaster funding arrangements. A formal response to that draft report will be with you, I imagine, in a few days' time. But I can provide an overview of the positions and responses that we have to it so far, and clearly there will be more detail to come in the coming days.

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We welcome this opportunity to talk to you about these issues. As you are aware, we've advocated reform of the natural disaster funding arrangements for a number of years, and we acknowledge the efforts of the Commission in its draft report to look at ways of cutting red tape, increasing the funding for mitigation and providing greater autonomy to States in the expenditure of recovery funds. However, Victoria holds serious concerns regarding the pathways for reform identified by the Commission, as all three proposed reform options would result in an unsustainable cost shift from the Commonwealth to State, Territory and local governments.

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That cost shift would place considerable strain on governments and would likely lead to State and local governments being less able to provide important recovery supports to individuals and communities. This, in turn, could jeopardise long-term recovery of individuals and communities and the impacts of these likely to extend into the years following a disaster.

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What I'd just like to outline - pay attention to two aspects of Victoria's key concerns with the draft report. The first one relating to the financial costs, which would be borne by State and local governments in Victoria if the draft recommendations are implemented, and a second point relating to social impacts of the Commission's draft report, in terms of the recommendations on recovering communities.

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One thing which the Commission is fully aware, and which is going through a separate path of course, over and above all of this, is the process around the White Papers and reform of Federation, and you've made some comments about that and we're conscious of them and clearly, in some

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respects, what we're talking about here is a subset of some of those broader issues around vertical fiscal imbalance, but that's another process which clearly will take its own course.

5 The Commission's analysis of the effects of implementing form option 1 and the associated recommendations is limited to analysis of the Commonwealth's financial position. The costs saved by the Commonwealth from the increase in the small disaster criterion and thresholds and the decrease in the contribution rate would be required to be absorbed by either
10 the State government, local governments, or affected individuals.

 Victoria has conducted its own modelling to investigate the potential financial impact on the State from the Commission's reform option 1. Under reform option 1, Victoria would have a current cost sharing threshold of 0.45
15 per cent of State government revenues, approximately \$290 million, which is up from the 109 million under current arrangements, which is 0.225 per cent of State government revenue.

 Victoria would have met the cost sharing thresholds under the proposed option of the Commission only twice over the past decade, in 2008/09 due to the damage from the Black Saturday bushfires, and in 2012/13 due to cumulative damage arising from the 2010/11/12 floods. Over the period from 2008/09 to 2013/14, Victoria would have been required to bear an
20 additional 850 million of recovery expenditure under the Commission's reform option 1. This equates to 0.34 per cent of State government revenue for that period.

 Clearly, there would also be an - and MAV may have touched on this as well - additional financial burden that will be borne by local governments as well. Clearly, that is an important issue which needs to be considered by the
30 Commission.

 The second thing that we just wanted to touch on in these opening remarks relates to the social impacts of the recommendations. In analysing the effects of the proposed reform options and draft recommendation, the
35 Commission appears to have limited itself to consideration of the financial impacts of the proposals. Victoria submits that the purpose of funding recovery is to assist individuals and communities to recover from the devastating effect of natural disasters in an efficient, effective and sustainable way.
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 In proposing changes to cost sharing eligibility under category A and C of the Natural Disaster Relief and Recovery Arrangements, the NDRRA, the Commission is proposing to remove important recovery assistance to
45 individuals, small businesses and primary producers.

 Victoria has robust governance arrangements in place which allow for

the efficient effective transparent and consistent administration of personal hardship assistance to individuals affected by natural disasters. This assistance is means tested. Victoria submits that the commission's draft recommendation 3.5, to remove cost sharing for State-administered personal assistance in favour of continued funding under the Australian government disaster recovery payment will lead to poor outcome for individuals and communities.

Victoria also holds serious concerns that the Commission is recommending removing cost sharing for counter-disaster operations to protect private property. We are also concerned by the ambiguity surrounding Commonwealth assistance with the costs associated with the establishment and operation of evacuation centres. On these two points, counter-disaster operations to protect private property can be instrumental in saving lives and preventing widespread property damage that would otherwise result in individuals needing considerable government support post disasters and evacuation centres are a necessary service during and immediately following natural disasters. They are a community expectation and must continue to be funded.

If the Commonwealth would no longer consider funding or cost sharing this service, considerable strain would be placed on both States and local governments. Therefore Victoria submits that the Commission has not recognised the social dimensions of recovery support when making its draft finding 2.7. Support for small businesses and primary producers provide an important social safety net which act, in themselves, the catalyst for wider community recovery. So those are some initial comments.

MS CHESTER: Thanks very much, Mark, and we look forward to getting your post-draft report submission when it's available to us. I think turning first to the point that you made about the architecture of the natural disaster funding arrangements and wanting to look for reform, which I think everybody agrees is the objective of our inquiry. Where we have increased the threshold, increased the small disaster criterion in terms of the cost sharing rates - turning first to the threshold, I guess the underlying principle there is one of establishing what we think is an appropriate fiscal safety net, the state governments, and I think when we have discussed this previously with you, you could understand that there might be need to raise the threshold somewhat, but from your comments today it sounds like you think we have gone too far.

What do you think constitutes a material impact on state budgets, such that it should trigger a fiscal safety net role for the government in natural disaster areas?

MR DUCKWORTH: I think one of the things which I would focus on, as I mentioned before, is by shifting those – by those changes which you are

suggesting, would lead to a significant additional burden and the quantum which Treasury have calculated would have been \$850 million over that five year period. What we are concerned with here is how those shifts might have an effect on both the level of that funding and obviously some of these broader issues, but also by removing – by what you have done in focusing on removing some of these categories and, in particular, some of the issues around small business owners and primary producers, there are certain groups that are particularly concerning for us because of the impacts that they would have.

10 I think that there are some issues which we focus on in relation to the small disaster criterion, but it's an issue relating to the magnitude of the Commission's increase to \$2 million which is not supported. I am not quite sure as to the modelling that you produced in relation to that, so I suppose that if one is talking about a shift in that small disaster criterion, it would be good if the Commission were able to have sort of an evidence based analysis to determine how you have reached that particular figure. So if one says in this particular thing it might be possible to have a look at that. We have a figure and you have chosen another figure, how did you arrive at that figure?

20 **MS CHESTER:** I will come back to small disaster criterion in a moment, but if we just look at the thresholds and the impact on Victoria. And thank you very much, we look forward to getting your evidence of what the fiscal impact would have been retrospectively because we simply didn't have enough data from the states to be able to do those calculations ourselves. So \$850 million over that four or five year period is at, what .34 per cent of state revenue. That doesn't sound like a material figure at .34 per cent of state revenue. One quick clarifying question, if I may, the 850 million impact, does that include the second round effects of the horizontal fiscal equalisation grants through the GST pool where, if Victoria is hit by natural disasters, you then benefit from other states sharing in the cost sharing, for want of a better description?

35 **MS KENNEDY:** I believe so. I would have to take that on notice, but I believe all of that was actually taken into account as well as the particular types of sub-clauses that might have been ceased under option one.

40 **MS CHESTER:** Because at the end of the day, with those arrangements still occurring, whatever the Commonwealth does to the cost sharing arrangements, it still doesn't change how much Victoria pays cents in the dollar, once you are above the threshold. So it's really the threshold that matters, which is why I am trying to get a sense of what is a reasonable threshold for Victoria. If you have suggested that there is a role for some reform here and some lift in the threshold but you think we have gone too far, what would be an appropriate increase in the threshold then in terms of what would knock around the state finances of Victoria to represent a fiscal safety net?

MR DUCKWORTH: I don't think we have provided that exact figure in what we are producing.

5 **MS CHESTER:** It would be good if we could get a bit of a sense from you because that is kind of the underlying principle that is guiding us going from the .225 per cent for the first threshold to the .45 per cent in reform option one.

10 **MR COPPEL:** I was just going to ask whether in your submission that will include the modelling that you mentioned, and any sensitivity to the thresholds? Have you modelled those and their impact on the Victorian budget, because that would be very useful for us?

15 **MS KENNEDY:** To answer your question, Jonathan, I don't believe we have actually modelled on that particular basis and natural disasters actually occur at any time over any given year. So it might be that the state is actually looking quite prosperous one year but the very next we might have, for example, a Black Saturday, so there are other competing priorities actually at
20 play as well. So, yes, but we will take that on notice and see if that is possible to provide.

MS CHESTER: Mark, your question of us, and we are happy to take questions as well, on the small disaster criterion. I think we were quite
25 up-front in the draft report that because we didn't have event specific data from the states, we were still grappling with trying to understand what would be the impact of changing the small disaster criterion which is why we had a bunch of information requests around that. I guess, just going back to what we are trying to do is we are just trying to distinguish between what is a
30 routine weather event that results in a maintenance spend, versus what is truly a natural disaster, and we appreciate that is a subjective matter, and the small disaster criterion is meant to be kind of like a proxy measure to get at that.

35 That is the principle behind increasing it, but what it did inform us there was, looking at the insurance loss data which reveals the non-linearity, that is 10 per cent of disasters count for 80 per cent of the costs. So it is suggested to us that if we are looking at focusing this on what are truly natural disasters and not routine weather events. The 240 looked to be too low, based on us
40 using the insurance loss data and taking it back to a State government level. So we are sort of at a position now where we are trying to get feedback from State governments like yourselves about if we were to move to \$2 million, what events would we have missed that really any lay person would look at and say, "That is definitely a natural disaster"?

45 **MS KENNEDY:** We would actually have reduced from 29 events to 13 events under options one and two. Basically, what that means, and if I took,

for example, over the last - since June to September we've probably had, off the top of my head, four to five smaller events, some of which actually involved East Gippsland, so it's a cumulative impact which has actually occurred. Most of that, I would suggest, would be in the area of flooding and storms, none of which - well, probably maybe only a couple would actually get in the category of a little bit of rain down the road.

Most councils that I speak to regularly indicate when they actually do need help, so they actually send out their council workers and their crews on that basis and will only come to us if it has actually reached a particular threshold anyway, in any case. So, there is already in place that implicit or, you know, I guess of councils actually coming to the State and asking for help when it is really practically needed.

I think we probably need to recognise that, and the cumulative effect of that which will, you know, occur for them, you know. I mentioned East Gippsland, there is other actual councils that have been involved regularly, for example, the Yarra Ranges are often targeted, the North East, you know, most of Gippsland, for example, they have bushfire and flood events as well as storms. So, yes, these are the type of event that we would actually have to deal with.

MS CHESTER: Just two questions, and they may be in the follow-up submission we're going to get from you, is of those 16 events that wouldn't have been included would you view those as actually really being natural disasters or kind of routine weather events, that's question number one. And question number two is, across the 16 that were missed what would be the fiscal impact of those not being included, does it show that non-linearity point?

MS KENNEDY: Yes. I believe that the submission probably shows somewhere around the ballpark of \$11 million that Treasury actually modelled. But, yes, in terms of were they routine events or non-routine, I would suggest that some of those are actually - were over that routine event, just a little bit of rain down the road, and impacting on, you know, probably a few, at least a few local government areas at that particular time. It's very rare that we have only one event that covers only one particular local government area, and in some cases it could actually be impacting 19, 20.

We haven't spoken about option three yet, but if we spoke about what that suggests for Victoria, that would mean that only events over - that cost over \$97 million would actually be covered. And at the top of my head over the last three years, that would actually mean our February/March 2012 event which we had in the North East, and of course there's the cumulative impact of the '10 and '11 floods and the 2009 bushfires. So, a lot of the smaller ones such as what we had when we had the June 2012 flood event which mostly

impacted Gippsland, and slightly just under that threshold would actually be ignored, so these are the type of things we have to consider.

5 **MR DUCKWORTH:** The underlying point, as we were saying at the beginning, is that while the commission has conducted this modelling on estimated Commonwealth savings under proposed options, there needs to be that analysis which - of submissions and other submissions you receive from other State governments - will provide in order to assess for what are the associated costs. So, in your final report it was - and you probably intend to do this anyway - but you could actually look at both sides of these issues.

10 **MS CHESTER:** Absolutely. On the issue of the cost sharing rate, we set out some rationale for moving from the 50/75 to a 50 per cent. And I guess our thinking there is really what is behind that cost sharing rate, is the extent of vertical fiscal imbalance between the Commonwealth and the States at the moment. Has Victoria got a view on the cost sharing rate and our recommendation there?

15 **MR DUCKWORTH:** As you clearly say, there is some broader issues which - in terms of year five that are discussed elsewhere, but I think we have had some - there are some issues related to that. In practice, in relation to - I mean despite the fact you got 75 per cent recovery costs on the NDRRA, the Commonwealth contribution to Victoria has in fact been less than the 20 50 per cent over the last 10 years, and only been close to or equal to 25 50 per cent on three occasions. And so in terms of Victoria, Victoria does not oppose the proposal to reduce the Commonwealth marginal cost sharing contribution rate to 50 per cent, in a Victorian context it actually has little practical impact. So, it may be for some other States who maybe have other issues.

30 **MS CHESTER:** Sure. Victoria is fine with the 50 per cent. And perhaps we hadn't explained it well enough in our draft report, but our thinking is that the threshold is the fiscal safety net, and then the cost sharing rate is really what is driven by VFI. So, we wouldn't view it as across your non-eligible 35 expenditures that you'd be getting 50 per cent, only across the eligible ones.

MR DUCKWORTH: I see.

40 **MS CHESTER:** Exactly, yes. I think the other key area where we think there is meaningful reform going forward in how post disaster funds are spent and expended by State and local government is around the concept of earned autonomy. And I think it was a term that was first coined by someone from the Victorian government and we have adopted and embraced it in our draft report.

45 A couple of issues there. Firstly, there's on the one side, what do we need to put in place in an administrative sense to deliver on that earned

autonomy, and that is around the assessed benchmark costs. And that's an area we agree is challenging but we would like to get your feedback on whether that is feasible or practicable over time. And then, secondly - no, actually, let's go first to - we'll do it in separate questions.

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Just in terms of looking at the Commonwealth being able to provide the funding upfront after a reasonable time period post a disaster, it would be good to get the Victorian government's sense on the practicality of putting that in place so we can then allow State and local government to have that autonomy on how the money is spent. Whereas if we kind of stick with the reimbursement model we don't see the Commonwealth being able to depart from its prescriptive oversight.

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MR DUCKWORTH: Is this the issue you're talking here, about your benchmark pricing model or - I think that the question which we have is how that would operate in practice. Because, under that model, the State would be required to undertake the on the ground assessment to provide an estimate of the reconstruction costs to the Commonwealth, those costs were then presumably subject to Commonwealth agreement and approval. And the view which you might need to consider, the Commonwealth would have a vested interest in minimising estimation of that, and it's also a possibility that in an attempt to justify that cost estimation it would further delay the payment of recovery funding and therefore delay the start of recovery work.

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I think that there are some practical issues which we outline in our submission about how that might operate in practice, which may in fact not lead to the greater kind of efficiency that you may be seeking through that.

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MS CHESTER: And is your primary concern there, Mark, around the - so I guess there is two issues. Firstly, who goes in and assesses the level of damages to the assets, and that need not be the Commonwealth, there could be an independent party involved in doing that, to get around your concern on incentives there. But, secondly, it's then the benchmark costs.

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We had understood that Victoria was kind of ahead of the pack a bit in terms of establishing that sort of information, both in asset registers, through your own insurance programs that you've put in place for your essential public assets, and also for some of the work of your state roads, or whatever it's called in Victoria, for benchmark prices for roads and other essential public asset buildings.

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MR DUCKWORTH: I think one of the key elements, and experience have shown this, is that the benchmark pricing doesn't recognise unique challenges faced during recovery works that can lead to sort of unavoidable and unforeseen increases in costs, including, for instance, scarcity of resources, including contractors, the material source from quarries and things, and our experience relating to the flood recovery indicating that that was a clear issue

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5 that in fact one may - the estimate may - will in fact be well under. And I think that even cases of initial assessment, particularly for flood damage, until you actually start the work you actually sometimes don't know what the damage is. There are some issues which we will need to work through on that, which we've raised.

10 **MS CHESTER:** You think these are issues that could reasonably be worked through over time, it's more a transitional issue? Because for us it's kind of like there's a big trade-off here, if you want autonomy in how the money's spent, the reimbursement model doesn't facilitate that.

15 **MS KENNEDY:** I think in terms of option 3, so if we deal about that particular option, consistency across States is not clear in the draft report to the State what that's actually suggesting, and whether that means that only particular (indistinct) that Victoria for example will activate, as opposed to say, New South Wales or Queensland, which can be a cross-border issue. So there's that issue.

20 I think the other thing for us in terms of estimation, our experience with the 10/11 floods across almost 70 councils affected, is that what they had thought would be the estimate of cost early on was actually far different three years post the actual event. In some cases in some particular areas, including in the north-west of the State, some houses were actually under water for about two and a half years(?). So they're the type of issues that we actually had to deal with.

30 The other thing is where Mark talked about the materials within quarries, is that earlier on in the - after the 10/11 floods, we actually did try to source some materials closer to Melbourne, and that didn't actually work because local roads actually need material from the area. So in a lot of cases they actually failed in the first instance, and they had to be repaired again. So that's another thing that can actually add to the costs.

35 There's other considerations at play, including the timing of when you undertake the construction. My understanding of the - there's a cluster of councils around the north-west area which actually sustained a significant amount of damage. But they had to deal with biodiversity issues, with moths, frogs and such like, which were very rare or very exotic, and they were subject of course to Commonwealth biodiversity acts.

40 Which meant that you couldn't actually go in and repair at particular times of the year, because it would be disturbing them. And the other thing of course that has affected us, and I think we referred to that in our first submission, was around the Aboriginal artefacts. So often there would be some repair or reconstruction work that would be held up because of those issues, because they have to actually go through the proper process.

Those type of things can actually increase estimates, and of course the actual expenditure. And also is the issue with the capacity of the council to actually undertake the works as well, because we recognise they've not only got the disaster to actually recover from, they've got their day to day operations, in which many cases the council workers haven't been involved because it might have been their house that might have been destroyed, like for example during the Black Saturday bushfires, or they might have been impacted with their properties with the 10/11 floods. So that's just our expenditure.

10 **MS CHESTER:** I guess where we're coming from is that we see huge benefits and a huge avoidance of what's become a lot of inefficiencies and wasteful expenditure post disaster by having the autonomy. We're just trying to come up with what are reasonable costs up-front, so the Commonwealth can say, here's your 50 cents in the dollar, go and spend it how you see fit, and not have to have that prescription and that level of detail and navel gazing over every last dollar spent by which local council.

20 If we set the benchmark as being a reasonable estimate, as opposed to an exact estimate, and it doesn't need to be today, it would be good to get a sense of whether you think that's an issue that we could work through as a transitional issue versus you don't think it's practical or feasible from the Victorian Government's perspective.

25 **MR DUCKWORTH:** I think one of the things in our submission we're putting forward a proposal which essentially involves amending the NDRRA by simplifying it a number of ways, and when you get the submission you'll see the detail of it. But clearly there's some elements which we've been working through of how to - abolishing, for instance, category C and absorbing its measures into category A and category B, amending category B to require essential public asset owners to manage and make all reasonable attempts to ensure their assets contribute to the cost of restoring an essential public service and actively pursuing betterment projects. Allowing betterment projects to be funded under the National Disaster Resilience Program in conjunction with category B funding, and a number of other elements about removing some of the burdensome activation requirements around clean up and restoration grants, and some of the issues which we've talked to you before about what we have characterised as inequitable and inconsistent outcomes through focus on geographic locations rather than need.

45 I think that we've outlined a proposal which undertakes that, to sort of amending the NDRRA to remove quite a number of these really quite complex elements which we are aware. And also another issue, which of course is a great focus of what you've written around betterment and mitigation to try and make those easier to access as well.

5 I suppose what we're saying is that the two things of earned autonomy and - does not necessarily link entirely with those. You can actually work through other methods to create autonomy without necessarily working through that particular pricing model that you were looking at. And I think - and Donna's outlined some of the practical issues that might arise of which that it wouldn't always operate.

10 There's a proposition that we have that we can go into in more detail now if you like, but will be in the submission when you receive it, in order to try and simplify a whole set of things and cut through those elements. And I think that that's something which we'd like you to consider as an alternative to some of the reform proposals that you've put forward.

15 **MS CHESTER:** We did think through whether or not a suite of earned autonomy conditions would be sufficient for the Commonwealth to allow you to spend the money how you see fit. And at the end of the day we didn't think, unless we departed from the reimbursement model, that you could actually move away from that prescription. But if there's a particular measure that you've got in mind that we haven't covered off in our conditions, be good to know what that holy grail is, because that would be very helpful.

20 **MR DUCKWORTH:** Well, we outline a proposal in our submission, and it would probably be easier for you to read through it rather than me try to explain it all now. I could spend 15 minutes going through it now, but you probably don't have the time.

MS CHESTER: Yes.

30 **MR DUCKWORTH:** But I think it's clear we'd like you to consider that and, I suppose, some of the key elements of it really do relate to bringing about some reform and amendment which would collapse a number of the categories and make things easier to navigate through, as well as that very important thing, which we've spoken of before and which I think there's - your focus on the issues around mitigation and so on, we support your principle, your position on mitigation funding. While not necessarily identically to what you have in your draft report, clearly there are some changes around that which need to be put in place, and indeed, we've spoken before about the problem of betterment, that in fact, as we know within Australia, there's only been is it one betterment proposal ever achieved, because that's a reform that could be done which really links very much to the mitigation issue.

45 There are quite a number of things which can be done over time, which would actually sort of shift the way in which this whole system operates. And I think we'd like some focus on some of those issues in terms of a practical outcome.

5 **MR COPPEL:** Can I return to the fiscal safety net, and option 2. Option 2 is the reforms to the current arrangements, with the possibility to take out, or we call it top up insurance to cover a different fiscal safety net, so a different design of those thresholds. I'd be interested in your views on that particular part of option 2.

MR DUCKWORTH: You're focusing on the solid insurance (indistinct).

10 **MR COPPEL:** That's correct. Insurance with regard to a fiscal safety net, not to the individual assets.

15 **MR WILSON:** Thanks, Jonathan. I suppose with that one, it makes academic sense, it seems like a good idea. The question is how would it be done in practice, and how do you get the benefits of some sort of insurance model which involves sharing the costs across everybody, whilst you're making it specific to a State, and it comes down to the way it's done and the actuarial assessments.

20 But if it's just sharing the risks across all States, then it's no different to the other issues that we've got in relation to vertical fiscal imbalance and the GST relativities. So in practice we're not quite sure how that would work, although we're attracted to the idea that if we're unable to get insurance for one type of product, doesn't make sense to pool that in some way with either
25 other States through the Commonwealth, that seems to make sense, but we're not sure if the pricing of that would be any different to if we were able to get insurance some other way, which we and other States are still unable to, in particular with rates.

30 **MR COPPEL:** We're not referring to insurance on particular assets, but it's to be able to get insurance against the fiscal risk associated with a natural disaster and the recovery expenses. So lying behind it obviously would be damages to assets.

35 **MR WILSON:** It's who's best able to bear those risks. Where the State has set its risk appetite, at a particular level, then it is worth exploring, well, who's going to bear the bit above that. But it will come down to pricing. If we know something's going to happen with certainty, then effectively the State would be paying the Commonwealth the same amount it would pay if
40 an event occurs as it would if the event occurs but we didn't have the insurance. So insurance only works where we're able to say, look, something might happen, we don't know when, but if the effect is that we're just paying what we would have paid after the event if there'd been an event, but paying it pre event to somebody else, it doesn't really change anything except the
45 flow of money.

I suppose it's a question of how do we best do it, and are we able to get the actuarial pricing on that. I don't have an answer on that. But how do we best ensure that it's a smoothing mechanism with the data that's available to us.

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MS CHESTER: One way of looking at it, so the reinsurers believe that it could be made, and it's more - and maybe using the term "insurance" has probably worked against us here, but it's basically additional cost sharing support, or lower thresholds.

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MR WILSON: Yes.

MS CHESTER: And how much a State that's exposed to high risks would be prepared to pay for that. So it's really just getting those States exposed to high risk to provision.

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MR WILSON: To provision and pay for certainty.

MS CHESTER: The Commonwealth is there, and they're transferring that risk to the Commonwealth then.

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MR WILSON: Yes.

MS CHESTER: But maybe not so much an issue for Victoria, or maybe not.

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MR WILSON: It's in the implementation of it, and it's an assessment of the likely risks. But it's also an assessment of what States are able to do in terms of mitigation and private sector insurance. And the better we're able to protect our assets through mitigation, including additional support from the Commonwealth for that, the better we're able to do that, then the less the costs are going to be on the broader community anyway.

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MS CHESTER: One issue we haven't touched on this afternoon, I'm conscious of time, but it's an important one, is that there's a bunch of our recommendations that go to effectively land use planning being used more effectively as a weapon against natural disaster risk management. And there's a number of recommendations that would impact directly on the State government. Be good to get your feedback on whether or not you feel we've gone far enough in terms of getting more transparency and accountability around land use planning by State government to ensure that what natural disaster experts being embedded in those SPPs that then trickle down to local government.

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MR DUCKWORTH: So you are talking in particular about your recommendation 4.4, which encourages governments to articulate the relative importance of natural disaster risk management relative to other priorities in

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land use, planning and policy frameworks. So Victoria supports that recommendation and our current state planning policy framework already articulates priorities are bushfire related and to some extent flood related planning applications. Victoria welcomes the opportunity to effectively extend this principle across other natural hazards regulated through the planning system.

MS CHESTER: The other part of those recommendations, Mark, were around giving greater guidance to local government on the issues of legal liability and how to deal with those competing objectives in the land use planning space when it comes to natural hazard risk versus the needs of developers.

MR DUCKWORTH: The legal liability issue, it's – in particular, I think, one of your recommendations relating to that, recommendation 4.6, Victoria does not support that recommendation, given that the recommendation may place an unjustified burden on state governments, including by extending the legal liability from councils to state governments, and the commission, in our view, should conduct further analysis into the possible consequences of this recommendation to the state.

MS CHESTER: So the Victorian government views giving guidance to council, legal liability is then assuming that liability themselves. Is that how that recommendation is being interpreted?

MR DUCKWORTH: I think that that is one of the things one needs to – one of the interpretations open to that recommendation is that.

MS CHESTER: That is not our intention, so we should talk about - - -

MR WILSON: We would certainly be providing the training and guidance and how councils should understand the new regulations when they are being introduced, but that would be the extent of the State exposure and the decisions made by councils they need to be responsible for as being the position that Victoria has taken in the past and the position that we are looking at continuing.

MR DUCKWORTH: Following state-made changes to Andrew's regulations, we provide a range of support to councils to help them understand and assist those changes including specific training guidance material information and so on, to ensure that those controls are legally robust prior to the introduction, so we wouldn't have to do all that.

MS CHESTER: So Victoria is comfortable then with the umbrella recommendation around making sure that local government had sufficient resources in place to be able to fulsomely implement their obligations under land use planning.

5 **MR DUCKWORTH:** In terms of the issue around that particular recommendation, which is recommendation 4.5, Victoria doesn't support that as it is currently worded. It rejects the proposal that State governments bear the onus of ensuring local government in their jurisdiction. In fact, that the State should actually do this and that we don't have the onus of ensuring local governments are sufficiently resourced to effectively implement their land use planning responsibilities as under the local government act, responsibility for land use planning lies with the local governments as part of their business as usual operations.

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15 The view is that the recommendation has substantial cost implications for states, as well as compliance burdens for state and local governments regarding the review of local government resources and capability adequacy.

15 **MR COPPEL:** I think what we had in mind in this recommendation is that when a state jurisdiction sets a land use planning objective, and then hands that objective for implementation to a local government, then that responsibility would then be accompanied by the resources to be able to effectively put that into practice. I don't know if that changes the position.

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25 **MR DUCKWORTH:** I think if that is adept, what we have outlined is our view and our interpretation of what that meant. If you are saying that there is another interpretation, maybe we will have to reflect upon it.

25 **MS CHESTER:** That is the joy of public hearings, where we get to make sure we are on the same page.

30 **MR DUCKWORTH:** Right. Yes.

30 **MS CHESTER:** I am conscious of time. We probably should wrap it up there, and we do appreciate that we haven't had the benefit yet of having read your post-draft report submission. Once we have had a chance to receive that from you and read through it, we would love an opportunity to come back and ask any other questions we may have to make sure we continue to be on the same page.

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40 **MR DUCKWORTH:** Thank you.

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

40 **MR DUCKWORTH:** Thank you.

45 **MS CHESTER:** I would now like to welcome the representative from Firewise Western Australia to join us. Thank you.

MS TOWNSING: Thank you. Good afternoon.

MS CHESTER: Hello, welcome.

MS TOWNSING: It's probably morning still over there.

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MS CHESTER: That is okay. We will find you a coffee afterwards. If you could just state your name and the organisation you are representing for the purposes of the transcript, and then if you would like to make some opening remarks. And I do thank you for the submission that your organisation has provided to us following the release of our draft report.

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MS TOWNSING: Thank you. My name is Peta Townsing. I represent a small group, it's very small, a few of us. All have been directly impacted in one way or another by bushfires and the whole theme of what I am saying today is really very much with a mitigation focus, which is one of the reasons that I latched onto your report, and I am in fact an owner of a small land holding in a fire prone area called Ballingup in Western Australia, south-east of Bunbury. It's right in the heart of the south west, and that particular part of Australia, this corner, has a Mediterranean climate which means we have a really long, hot, dry summer with rain falling in winter.

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So for six months of the year we have a situation where there is virtually no rain apart from the odd isolated downpour from a thunderstorm, and it means our south west is known as a biological hot spot. It has plants and animals that are found nowhere else in the world. Part of that ecology is that fire is very much a part of that natural system. Very long ago it would have been triggered by lightning. Because of that long, hot, dry summer, plants have got an adaptation to – in order to stop them drying out, so that they are sort of plants that have particular characteristics, eg of waxy leave, of volatile oils in their foliage which helps preserve them over summer.

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It also makes them very liable, in fact adapted to burning. So bushfires is very much a natural occurrence in the south west. This was continued on in probably slightly different form when the Aboriginal people arrived at least 40 to 50 thousand years ago, and then they used fire as a way of moderating the land, if you like, and using it to create more grass for the kangaroos, to make hunting easier for them, and it had the effect also of ensuring that there are not so many intense fires, and that the land was somewhat tamed and to the benefit of those people.

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In fact, a bushfire burning away from properties is beneficial on the whole, unless it's very intense. So it is something that – if there is a fire burning out in the boondocks a long way away, it's not really going to be a problem. And this has been happening. The farmers, for example, over 150 years have known about this, have known what they can do about fire. They tend to have their homesteads as isolated oases with pasture, and they make a point of ensuring that the grass is well grazed around the house area over

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summer, and they will have a little oasis where it's green, there is lawn, there are deciduous trees.

5 Latterly, last 40 years or so, we have had tree changes, and people looking sometimes just for cheaper houses, moving out into these rural areas. They are not farmers, they are typically people from the city or suburbia, and somewhere along the way, the corporate intelligence, if you like, about bushfires and bushfire management has been lost. So people are not familiar with burning off themselves. Real estate agents actually say, "Have a home
10 amongst the gum trees", and Macca says it on a Sunday morning, "Home amongst the gum trees". Not a good idea.

15 The early settlers realised this a long time ago. We have got records from garden history and so on, that the early settlers realised this. They liked the gum trees initially until they had had a burn or two. The problem is very much then that the native forest and woodlands and in fact grasslands could be deemed natural hazards, and I think with emergency management principle, the native vegetation needs to be identified as a natural hazard. Now, that starts to mean something to the fire and emergency people and at
20 the moment it's not actually classed as that, or very clear you made it that way.

25 I am talking Western Australia here, and it probably wouldn't be quite the same for, say, far north Queensland, for rainforest areas, but certainly where you get long periods of dry weather this model applies. We talk about the rural urban interface where people move into this area on a half-acre block or let us say 2000 square metres, 4000 square metres, a hectare or two, and they are trying to manage that vegetation, and many that really don't know where to start. The problem is with that built environment, houses,
30 bridges, comes in contact with the native forest and the woodlands.

35 Emergency management principles indicate that there are four, if you like, key performance indicators, minimising lives lost, minimising house loss, and minimising environmental loss. And they are in that order deliberately. So it's life, property and then the environment. We feel in that small group that in fact sometimes it seems that undue emphasis is given to preserving the environment. We had a case here just now where they couldn't rebuild houses, or they were delayed in rebuilding houses because
40 people were worried about a rare frog species, and that is an indication of in fact environment overruling property, not necessarily houses.

I am trying to get a different slant on some of the way of thinking that has been occurring for some years now.

45 **MS CHESTER:** Peta, we might jump to some questions, if that is okay, because Jonathan and I have had the benefit of reading your submission.

MS TOWNSING: Okay, fine. Yes.

5 **MS CHESTER:** It will be public evidence on our website, because I think we will get to the heart of your issues maybe through some questions, if that is okay.

MS TOWNSING: Yes, fine, go ahead.

10 **MS CHESTER:** When we were across in WA earlier on in some of our earlier meetings and our consultations, the State government there had suggested to us that they were going to unveil a new policy in terms of what they call the fuel load management around fire risk, particularly in the south east of WA. Is that the sort of policy mechanism that you see as important to
15 managing these risks, understanding the ecosystems and the different forms of vegetation that are increasing or decreasing the natural hazard risk?

MS TOWNSING: Well, there are two elements to that. There is, if you like, the public lands, the state controlled or shire, and then there is private property with the owners, and in both those cases, I suppose it's really like –
20 as far as the state controlled areas go, the Department of Parks and Wildlife is in fact, and does, do prescribed burning. And they do strategic burning. They will do a fair bit of their burning actually along highways, close to towns. It's strategic burning, it's designed to reduce bushfire hazard near the built environment.

25 They really try to do this as well, burn further out because of bushfire. Particularly, say, in February/March it's very dry. It can travel 20/50 kilometres easily in extreme conditions, and therefore can take out all before it. So it's necessary not only to do burns within 5 k or so of a town, but
30 actually to burn further out, and that is reducing the fuel hazard, that is reducing the risk. And they do that as a mosaic of different burns at different times. I think it's really important. That is one side that has to happen. The other is onto the owners of land and I would much prefer, and it's something that – I read the material from DFES, Department of Fire and Emergency
35 Service.

40 It's an admonishment to do this and do that, and I find the tone a bit hard to take. I'm just giving you candid feedback on this because it's important that home owners be absolutely the main people who look after their own properties and they need some guidance and some help in doing that and they need, if you like, education. They need mechanisms in place whereby they can take on how they can help themselves and basically their neighbourhood as well, without just trying to conform to what the government is telling them to do.

45 There needs to be some way of encouraging owners to help themselves. There's the retrofitting of houses, there's the removal of vegetation around

their properties. They're fairly simple things that people can do and earlier the 80/20 rule was mentioned and I think that if the home owners spent a bit of time and a bit of energy they could do quite a bit that would remove something like 80 per cent of the risk. It's fairly cost effective if individual owners do it, rather than expect someone else or rather than the properly burn down, the house to do, all that horror of the house burning down and then going into the recovery mode. It's so much better to get in front of that game.

10 **MS CHESTER:** What's missing in the equation now? Is it the guidance is going out but it's the way it's being delivered which means it's not resonating with householders?

15 **MS TOWNSING:** It's not resonating. This is a new edition of this one and it's much improved, it's enhanced, they've filled out bits with more explanation but we all pick up these things thinking, "I'll read it tomorrow or the next day." If there were a course, if there were opportunities for people to be run through this, practical examples, home visits - the shire president of the local shire next to me said to me the other day, "If we could just get someone coming around to my place, I'd like to know whether I should do - what's right about my garden layout, what I've got here, what have I got there? What could I do to my property to fix that and make it a bit more fireproof? What could I do here? Is there anything that I'm not doing that I could be doing?" These personalised visits, that requires funding, but to have programs in place whereby touching base with people on the ground, people at the coalface, such as ourselves. Does that help?

MS CHESTER: Yes. No, that does help.

30 **MR COPPELL:** One of the issues when we were in WA is that for bushfire risk there's a certain amount an individual property owner can do but if everyone doesn't do the same, flying embers will still create a substantial risk for even those that do do the right thing. One of the issues, I think it was around the Bunbury area, because there's quite a lot of state forest and the - I think it's called back-burning in those areas, if it's not carried out then the impact of what is carried out on individual private properties is very limited.

40 I don't know if that's been an issue faced in your community and how you - there doesn't seem to be an easy way out other than getting full cooperation or at least fearful cooperation.

45 **MS TOWNSING:** Yes. I just had a list in my submission there to firewise communities in the United States. And whilst, at times, we don't want to take too much notice of the US, in fact we do and they're quite - they actually speak the same language as us and what they say, often, is quite relevant.

Southern California has a climate very much like ours, southern states of the US have very similar problems to southern states of Australia and they've set up this program whereby communities are organised or encouraged to be organised to be registered in a central body run by a not for profit organisation called National Fire Protection Association of America. That is a not for profit organisation but receives federal funding and state funding and insurance funding as well to run these types of - or to encourage these small community groups to be set up.

If a community then ranks, and there's a good example in Hawaii, for example, and quite a few in California and other states, if these communities meet certain guidelines, like doing fire assessments, putting together an action plan as to what they'll do, create a particular program for that year, submit it to the central organisation, they will then get a certain amount of funding to be able to do some of those works that involves people and it puts peer group pressure onto those people who haven't done their place, who are letting the side down.

It's a way of involving more people and bringing it back, right down to the grass roots level too. I mean I've been trying to start a bushfire ready group in Ballingup and I got virtually nowhere. I got support from BPAS(?) on it, and I've done the course, I've got the T-shirt and trying to get people to come to meetings is just about impossible. So it does need more support from government to facilitate but not necessarily to do. Is that kind of ringing any bells or making sense?

To me it's an education process. I'm also a teacher from way back. Education about running people through what they can do for their places, what they - some simple steps to take. Not necessarily expensive steps that they can take can make a huge difference.

I'll quote the store Bunnings, for example. I think it's over here in Victoria, isn't it? Going along there and saying - it's mentioned here - go along and see if you can get, for example, a door mat that's not going to be a problem in a fire, because a door mat on a veranda picks up a few embers, smoulders away and can start the veranda then going up and then the house will go up. Getting a fire proof door mat would be a good idea, they recommend that. But what's a fireproof doormat? You go to Bunnings, I've asked the question, "What is it?" and they cannot tell you.

There's very little awareness within, say, hardware stores or industry or amongst builders about how to build your house in a simple but fairly effective way, so that you are at less risk of bushfire. I've put a deck on the back of my place. You've seen it in submission possibly, and I carefully looked after this bookleaf cypress, I thought it was lovely, it was adjoining this timber deck. Timber deck not a good idea, bookleaf cypress, conifer,

aromatic foliage, dry needle like leaves in the middle of it, an ember falling on that would just explode and it would take the deck with it and the house.

5 I've now got some metal furniture on my veranda, instead of wooden stuff, but nowhere is it really promoted. I think big stores, like Bunnings, could actually have an area, "Here's some good stuff for people who live in fire prone areas." So getting business involved, like a marketing exercise.

10 Water Corporation has a waterwise program, and that is a very successful program in Western Australia. I think everybody in WA is very conscious of saving water. They have used psychologists, they have used professional marketing agencies, they contract garden experts to give free workshops, they give out free shower fittings. Everything that they can do to bring consciousness to people. A lot of carrot and not much stick. That sort of a model, and I have been on the customer advisory council for the Water Corporation, so I do know what they've been doing, that sort of template would be very good to use to see if we could do something about making more - not ordinary, more community members more aware of fire.

20 Approaching it from a different level. Don't leave it all up to government, but government can facilitate and act as a catalyst for some of these programs to develop. So, as I say, the waterwise message comes through so much. Ironically - paradoxically is perhaps a better word, the very plants that it recommends that one puts in ones gardens are often those plants that can survive without much water, they are the very plants that burn very easily. I have argued that with the Water Corporation already, but if they put native plants around their home to save water, they may, in fact, be just creating a fire hazard.

30 **MS CHESTER:** Peta, this has been really helpful, in terms of us getting a better understanding, because a lot of the report has focused on examples of hard mitigation. This is a good example of soft mitigation, which can actually reduce those economic costs of natural disasters, as they relate to fires, so that's been helpful.

35 Did you have any other questions?

MR COPPELL: No, thank you.

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

MS TOWNSING: Thank you for having me. I'm pleased at least there's somebody here from WA.

45 **MS CHESTER:** We've got one or two phoning in as well to join us.

5 We're now going to phone in one of your near neighbours, the Local Government Association of South Australia, who should be with us shortly. Good afternoon, Wendy, and welcome. It's Karen Chester here and I'm joined by my Commissioner colleague, Jonathan Coppel. Just, first of all, making sure that you can hear us properly?

MS CAMPANA: Yes, we can.

10 **MS CHESTER:** Great.

MS CAMPANA: I've got David Hitchcock with me as well.

MS CHESTER: Great. And is Gary with you as well?

15 **MS CAMPANA:** No, he's not, but I understand he's been hooked in by a mobile phone, so he may be on the line shortly, if not already.

20 **MS CHESTER:** I've just had a signal that he's meant to be coming on as well so hopefully he'll join us shortly.

25 Just to explain, from our perspective, so we're sitting here in the public hearing room in Melbourne - welcome Gary, it's Karen Chester, we're just starting. I was just explaining to Wendy and David that we're here in the public hearing room in our Melbourne office. We have a number of interested stakeholders and participants in today's public hearing who are here and you're on a wonderful loud speaker so everyone can hear your views and comments that you're going to be sharing with us today. So thank you for joining us and thank also the Association for both the initial submission we received and the post draft submission and also your involvement in some of our earlier meetings and consultations, which we found very helpful.

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35 I think it would probably be good first, just for the purposes of our transcript, if you could each just state your name and organisation, so we've got that for the gentleman recording us here today. Then if you'd like to make some opening remarks?

40 **MS CAMPANA:** Okay, thank you very much. It's Wendy Campana, chief executive officer, Local Government Association of South Australia.

MR HITCHCOCK: David Hitchcock, director of infrastructure, Local Government Association of South Australia.

45 **MR OAKLEY:** Gary Oakley, local government risk services general manager.

MS CHESTER: Thank you and welcome.

MS CAMPANA: So we can make some opening comments, Karen, at this point?

5 **MS CHESTER:** Yes, thanks, Wendy.

MS CAMPANA: Thank you. Look, can I just firstly congratulate the Commission on its approach to this inquiry? The LGA participates in lots and lots of inquiries and I have to say that this is one of the more impressive approaches, from the point of view of the initial conversations we've had, the
10 conversations along the way and commenting on the draft. So I just wanted to congratulate you on that.

MS CHESTER: Thank you.

15 **MS CAMPANA:** Yes, I think it's just terrific.

I also wanted to apologise that we're not able to be there in Melbourne today, or is it Sydney today?

20 **MS CHESTER:** Melbourne. That's fine.

MS CAMPANA: Melbourne. I know our colleagues from South Australia are going to the Sydney one, and we really appreciate you being able to link us in via phone.
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Just in terms of opening comments; the Local Government Association of South Australia has a long track record of participating in natural disaster recovery and certainly in mitigation, so we consider this inquiry to be very
30 important to support the councils here in South Australia and we've also found the inquiries consideration of some of the insurance issues to be at the coalface of the work that we've been doing with our mutual liability scheme, which is why we've got Gary, particularly, on the line today to talk about some of the insurance issues.

35 So the way we thought we'd structure this, I'm going to pass to David Hitchcock, who's the director responsible here for disaster recovery and funding issues to just summarise some of the key points. Then we thought we would provide Gary with an opportunity to address some of the insurance
40 issues. I might take the opportunity to do any summary comments, if I thought that was useful and then we would then answer any questions that the commissioners had of us, if you're okay with that approach?

MS CHESTER: That's fine, Wendy. How long did you envisage that
45 running for?

MS CAMPANA: We thought probably about 10 minutes, tops, and that would provide us with the time for any questions.

MS CHESTER: That's fine. Thanks very much.

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MS CAMPANA: Does that work?

MS CHESTER: Yes, that works.

10 **MR HITCHCOCK:** David Hitchcock from the LGA of SA. In response to our submission we formulated our submission on the same format as the draft report, so in our submission, on page 3, we identified five key areas which I'll probably talk to in this five or six minutes here.

15 I particularly refer to the references B1 and B3, in regards to an adequate safety net to be maintained by the Commonwealth to assist the states to recover some major assets. It's in the draft in 2.2, which is our B1, about cost sharing between the Australian state and territory governments and our view is that any approach taken by the Commonwealth to limit it is likely to be reflected in the way that the councils are assisted by state government.

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In South Australia we have a threshold of about 2 per cent rate revenue, which is our threshold in which we can then start thinking of some funding form the State government. The issue there is that any changes to the safety net by the state government with our thresholds would certainly impact on local government.

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In regards to recommendation 3.1, which is our B3; we don't support that the Australian government should reduce its margin of cost sharing to 50 per cent, under the same provisions as we've just made comment on 2.2, is that if the state has to contribute more then, quite clearly, local government will have to contribute more and that's seen as quite material to particularly small rural councils who wouldn't be able to meet the funding processes.

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The second key point is the Median Target Assistance(?) to disaster impacted communities is essential for community recovery and support to communities should not be diminished in any way. This is in regard to findings 2.7, the case for government assistance to business and primary producers after a natural disaster is weak.

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Economic recovery is a key success factor for councils and what we're saying is that there should be robust programs for assisting the communities in recovery from disasters.

45 With regards to B3 on ours, which is recommendation 3.5, this is in regard to, "The Australian government should cease reimbursement to state and territory governments" et cetera. And I think here is that the sooner that

a community is assisted with recovery then inherently the recovery is quicker in itself. Upfront immediate assistance to councils is really important in alleviating the disasters they are facing and actually we've found that most time the immediate recovery actually prevents long term social issues in getting there early and talk to the community and put mechanisms in case. We had a particular one in Kangaroo Island where whilst there was some substantial dollar value damage, there was quite a significant community social issue, in regards to people being displaced from homes and being able to get there in a timely way certainly assisted.

Our third point is easier and less restrictive access to counter-balance operations assist the councils with essentials, including the ability to be able to claim for own plant and labour costs. One problem there, and I use a very simple example, is in (indistinct) disaster, if you have school bus routes on local roads where flooding and damage has occurred and the children still have to get to school, so the council comes in with a couple of loads of rubble to fill that road and get it up to a certain standard where it can actually get the kids to school, or the children to school. Now, if that doesn't occur there are some issues. Council have confusion or unwillingness, at times, to provide those post disaster operations because the caveat that council's own plant and labour, under most circumstances, is not refundable. So there's an issue in that regard.

B8. That's the same issue, so I'll leave it at that. Number 4 is greater emphasis on mitigation by providing more funding for mitigation and support. That is in our C2 of our paper, which is recommendation 3.2. If the Australian government reduces relief in recovery funding it provides the state government it should increase any mitigation expenditure gradually to \$200 million. We would support that and we would say that the biggest issue for councils in this space is the ability for councils to meet their cost contribution in any joint funding. So if you're going to increase it to \$200 million that, as a principle is well supported, we would then look at what the capacity of councils is to contribute their own funds, whether it's a dollar for dollar or other funding mechanism, how much can they actually afford to contribute to the higher levels as well?

Five is market mechanisms for insurance options to reduce the recovery costs should be explored. And our numbers are D1 and D2, which is the draft one is 2.3 and 3.4 and I'm not sure whether Gary might want to have a chat about the disasters or the insurance mechanisms, but our comments are we agree to some extent on the draft finding 2.3, however Councils SA generally have annual reviews of their insurance regimes in place and we agree that the ledgers have improved during recent years, but they do not consider adequate replacement valuations of road and related infrastructure.

That's a quick five/six minute summary, without giving too much detail. As I said, page 3 of our submission, items 1 to 5, are also cross-referenced to the recommendations in our submission.

5 **MS CAMPANA:** Thanks, David. Look, we'd really like, at this point, to pass over to Gary. The South Australian Local Government Association established some time ago an asset mutual fund, which has really ensured that a range of assets the council - essential assets are covered by insurance arrangements and it is my understanding that there isn't necessarily, across
10 Australia, a comparable insurance arrangement. So this is a really important one to us, given the emphasis within the report about where insurance can step in, as opposed to Commonwealth funding.

15 Gary, would you be able to make just a couple of comments at this point?

MR OAKLEY: Thank you. As Wendy has outlined, the local government industry sector in South Australia has taken a, I guess, a non-traditional approach to some of their insurance issues for a number of years. One of
20 which is the establishment of the asset mutual fund, and that model combines, I guess, some self-insurance models with traditional insurance approaches to try and fund losses to assets in different ways. As that matured over the last 10 years, more recent times some number of critical infrastructure has been identified as insured or insurable by councils, but it
25 hasn't extended - so it does cover bridges and things like that, but it doesn't necessary extend to fully cover the road network of local government, but we are familiar with some of the different models that we need to be looking at.

I guess, therefore, is the findings of the Commission are interesting in the
30 context of a non-traditional approach. We certainly haven't explored them fully but an interesting aside about South Australia is the risk profile for disasters is that we haven't had anywhere near the frequency or severity of events in the last 20 years that have happened in some other places.

35 So whatever model is considered, I guess, and whatever approaches may be considered, I guess it's a matter of trying to risk (indistinct) based upon risk profile. I think that's where the insurance sector, as a whole, is starting to change. Some of the modelling that wasn't available even four or five years
40 any in disaster management is starting to evolve quite significantly and I think there can be some improved evaluations now in regard to that. It will mean some of the other insurance, be they non-traditional or traditional market approaches, may become more valid in the future.

45 I'm probably happy to finish there saying we're not necessarily adverse to considering non-traditional approaches an happy to work with LGA as far as costing and funding. The cost of insurance, that's not a matter for me, that's more a matter for Local Government Association to progress. I guess

5 the other issue would be - an important issue to which you would take into account is that spread of risk and spread of cost around the metropolitan and built up zones versus some of the more smaller less populated regional areas, which can boost up significant damage in their terms, but maybe not significant damage in terms of a particular number of assets.

10 **MS CAMPANA:** Thanks very much, Gary. I suppose just in summing up, a bit of a snapshot, if you like, of local government in South Australia. There are 58 councils covering 50 per cent of the land mass of the state, but 99 per cent of the population. A large number of smaller, rural councils which do it hard, but are in isolated areas, so they've got a sort of collaboration and amalgamations in those difficult ones that some of the smaller, isolated councils and unfortunately they can be the councils that can suffer extreme damage, from time to time.

15 Also in the metropolitan landscape of course there are some flooding issues that we face from time to time and there's always the threat, potentially, of earthquake given that Adelaide is on a fault line. So that has been the picture for South Australia, which is quite different to some of the other states. So the overriding issue for us will often be what will be the trigger and what will be the conditions upon which we can then access, as local government alongside state government, any Commonwealth assistance.

20 So I suppose it's a question of, for the Commission, and I know this is a big task for you guys, but trying to identify what is an equitable approach to providing states with different risk profiles appropriate access to Commonwealth funds. So on that note, I'm happy to take any questions from the Commissioners. Thank you.

25 **MS CHESTER:** Thanks very much Wendy, David and Gary, I appreciate those opening remarks. Jonathan and I do have a handful of questions we'd really like to run through with you and probably to make sure we better understand areas where we have some differences of opinion at the moment.

30 I guess the first one that stood out, and you touched on it in your remarks, David, was around the support for business in our draft report and draft recommendations. We found support and evidence to support continuation of the disaster recovery allowances for business, but it would be good to get your sense of what evidence you've got around what, in addition to that, would be required. So the counterfactual being in the absence of additional grants of loans, what businesses would not actually recover?

35 **MR HITCHCOCK:** Are you talking particularly about commercial business in a community that would suffer any damage?

5 **MS CHESTER:** Yes. I think in the report we cited some evidence, based
on some research that was done in the US, that suggested that dealing with
the cash flow up front for businesses, post a disaster event, was what was
really critical to their recovery and that's what we see the Disaster Recovery
Allowance achieving. Providing loans or other concessional treatment, based
on that research and analysis, suggested that that didn't have an impact on
whether a business survived or not in the end, regardless of the disaster event.
So it would just be good to get a sense from what sort of evidence and
insights that you've got that suggests that we do need to go beyond that initial
10 sort of cash flow issues, that's met through the DRA.

15 **MS CAMPANA:** I'm not sure that we have a lot of evidence on that issue in
South Australia, to be perfectly frank. It seems to me - sorry, Wendy,
obviously, speaking, rather than David, and David will have some comments
to make as well. But I'm not sure that we're in the best position, I'm looking
at David and we're sort of frowning at each other a little bit because we don't
have very good evidence around some of the disasters we've had as to the
pace of recovery. Local government has very much been involved in
cleaning up and supporting businesses to get back on their feet, but we
20 haven't gathered information about the degree of which they have quickly
gathered or made different decisions about their future. I don't know
whether David feels - or even Gary, for that matter, from an insurance point
of view, should it be suggested that local government had some contribution
to make to the flooding or whatever the disaster is.

25 **MR HITCHCOCK:** David here again. Adding to that, the way I run a
(indistinct) council is pretty much we've found that mechanisms that get in
quickly to assist businesses, and we would particularly say like if you take a
rural with the farmers, you can have a fire disaster and then you can have an
30 immediate drought situation or, as I said, or have a flood and that sort of
stuff. Those mechanisms to enable that business - to continually get in early
is certainly of significance. I think that's one of the submissions we made.

35 **MR OAKLEY:** Gary here now. Just to add to that, my perspective on
businesses would be, they have a responsibility to insure themselves and
you'd think that if they've got insurance in place that the insurance company,
assuming that the particular peril is covered, would be giving up front money
as well to support that business trying to recover ASAP.

40 Now, whether they have adequate insurance to fully recover and get back into
business afterwards, well, that's up to the individual business to decide the
level of cover they take.

45 As far as local government is concerned, I don't see any insurance
issues, it's more about the individual businesses having insurance, and then
those that don't survive are probably those that mainly receive some

government support, but there's no ongoing support beyond that, because there's the adequate insurance involved.

5 **MR COPPEL:** Can I just pick up on that? It's a closely related point with respect to counter disaster operations, where local governments will undertake certain activities post a natural disaster on private properties, and we're interested in getting a finer idea of the nature of those operations and when those operations should be funded by local government and ultimately by higher levels of government. Are there any principles that would determine or help give guidance on the nature of the counter disaster operations so that you avoid going into activities that would be activities that would be undertaken in any case by a private business or a private individual?

15 **MR HITCHCOCK:** David here. From my perspective, the local government is involved principally on public land, from time to time there are requirements or there are calls for remediation of such things as like fencing. That tends to be done through volunteer operations and the like. So pretty much outside the scope of local government undertaking immediate stuff for commercial post disaster operations. When they might be involved if it was under another authority, such as the SES, and providing assistance for their - local government having their large yellow trucks and graders and stuff like that assisting, but that wouldn't be predominantly where we would be coming from in the first instance for the disaster recovery say on public land.

20 **MR COPPEL:** You gave the example of graders coming in, do you have any information on the use of council equipment on private properties or in support of private businesses?

30 **MR HITCHCOCK:** Not particularly with the disaster operations. In the bushfire operations, yes, that happens quite often, but it's not a declared disaster for the purpose of what this review's about. Local government has increasingly been asked by State government agencies to stick them in normal non-agency response issues. So we've got some information on that, but we'd be very like (indistinct) in regards to public events. Wendy said, generally speaking, South Australia has been somewhat stable of these past 35 few years with natural disaster, and we've been mainly involved around flooding and the non-insurable assets that council (indistinct), that's been 40 primarily where our focus has been.

45 **MS CHESTER:** One of the areas of our report that we identified and we thought was very important as a reform was ensuring greater autonomy for State and local government in how post disaster recovery funding is spent. And the key there for us to get the Commonwealth out of this prescriptive mode that it's in at the moment, which raises issues like day labour and betterment, is about assessing up front, within a reasonable timeframe of

course, what are the damages, and using benchmark costs, around essential public assets to do that.

5 Be good to get any initial thoughts that you have on the feasibility and the practicality of doing that and whether that's something that South Australian local government could transition to over time.

10 **MR HITCHCOCK:** Yes. We have some good information which I could subsequently provide to you. But in summary we have in the last six months identified with the State government a documented process for determining of a disaster as it happens, a process for advising the State government, who then advises the Federal government.

15 We have documented and we now have them as an app process and an iPad process, like electronic, whereby the council staff can go to the disaster sites, it can be mapped, GIS mapped, so as they are there, we photograph, video, verbal report or a typed report, it gets uploaded to a web page which then gives a geographic location of all the sites of the incidents, and it grades them from moderate, severe or whatever, like a red, green and amber. And
20 the process also then once it's input by an engineer, prints out the estimated costs. We used it for KI, the process was the pilot. The process came within 10 per cent greater than the actual final tender for the process occur.

25 To step you back, engineers now input it into the process with what each then produced the scope of what was required for the remediation and gave an estimate. It also then produced a scope of works which can put out the cost that MBU(?) send to the public tender, and that provides the State with immediate within 10 per cent estimation of what the damage was, and it also then provides the council with some ideas of the damage they are going to be
30 up for.

35 We're actually trialling at the moment, and the person who's key involved in this submission was trialling it as we speak, and we'll be in place to roll that out from next week, pretty much.

40 **MS CAMPANA:** I just had one extra to that, just really briefly, and that's that question of essential public assets. There's been discussion over the years with the major disasters we've had here, not too many in comparison to other States, but the question of from a local government point of view how do you define the essential public assets. And for some communities that have a real lot of damage, a playground can actually be a really essential public assets for getting a community back on its feet, and as can a community hall.

45 I think that there's an unresolved definition there around essential public assets that would probably need to be addressed in this equation as well.

MS CHESTER: Thanks, Wendy. And, David, thanks very much, that is very helpful information for us to get from you, and if we can get that in some more detail, in terms of where South Australia's up to and how it was trialled in Kangaroo Island and what the outcomes were, that would be very valuable to us. Because as we said, we kind of see that key to being able to deliver on that autonomy.

One other issue I just wanted to raise with you, and that's around the change in the small disaster criterion, where we talk about moving it from 240,000 to \$2 million. I guess what we're trying to do there is really distinguish between what's kind of really a natural hazard event versus what's a routine weather event. And just interested in whether or not your association has any views if we were to move towards the \$2 million and wind back the clock and have done that historically for South Australia, would we have missed any events that were really natural disasters as opposed to routine weather events.

I appreciate your lower risk profile, as has been manifested in the last 20 years, relative to other States, which is fabulous for South Australia.

MR HITCHCOCK: I think the best way to answer would be to use the understanding of what we've been previously involved in, we have recently - previously we had a local government disaster fund that wasn't aligned with the NDRRA, and this last process, which I just provided to you, has now put us in that place to respond in that regard.

One of the key issues was what was the threshold for a council that would be determined a disaster beyond that capacity of the council to be able to respond. It's not directly your question, but the analogy's the same. We found out that 2 per cent of the council rates revenue was considered to be of a significant impact to materially affect the council such that they would need assistance. And as you would be aware, the council would then apply to the State government and the State government's got its own thresholds.

So coming back to that point is we'd be very, very keen to find or understand what that impact would be by lifting any of the thresholds, because councils quite fairly demonstrated that anything beyond the 2 per cent - because normally councils only have in the order of \$1.5, \$2 million in rate revenue, so the amount is quite low. So we'd be quite keen to try and unpack what that effect would be on councils before we make a comment on that.

MS CHESTER: Thanks for that, David. I guess what we're getting at is what goes into the threshold across the State jurisdictional level, and whether or not going into that threshold we'd be missing events that people would in substance would look at and say, well, that was really a natural disaster. As opposed to the issue that you you're raising, which is a fiscal impact issue at a

lower level of government, at local government level, which is kind of where the States interface with local government and it trickles down there. But happy to get your feedback on that.

5 **MR HITCHCOCK:** My understanding of that would be that, in your perspective, the federal view would be that is just a natural event as opposed to a disaster. We won't include it in the threshold so therefore there are implications with costings and payments for states. That might be okay at the federal/state level, but we would be very keen, as I said, at the local level that
10 we would have to make sure we were represented because, as I pointed, if you change the rules for that, the state might well change it and there would have to be some discussions at the state level with local government, how that gap or any gap could be mitigated.

15 **MS CHESTER:** Was that the small disaster criterion that the state applies to local government in South Australia at the moment, that 2 per cent?

MR HITCHCOCK: Reasonably, yes, it would come to 2 per cent. There is a minimum threshold of 150,000 or 2 per cent of the council rate revenue,
20 whatever is the greater.

MS CHESTER: Thank you. That is helpful to know. I think that covers it for the handful of questions we wanted to go through, and I think it has been largely facilitated by your post-draft report submission which was very
25 clearly and well set out and very comprehensive which gave us a good handle on your position and your views. Thank you very much for being able to be available by phone today. We appreciate it's a little bit difficult to participate in public hearings without being face-to-face, but it does help that we have met you earlier on in our process. So thank you very much and good
30 afternoon.

MR COPPEL: Thank you.

35 **MS CAMPANA:** Thank you very much, and congratulations again for the approach you are taking. It's very much appreciated in our state.

MS CHESTER: Thanks, Wendy. We will now be joined by the West Australian Local Government Association by phone. So we will hopefully hear some dulcet tones from WA shortly.
40

MR HAILES: Hello.

45 **MS CHESTER:** Good afternoon, Allison, it's Karen Chester here and I am joined by my Commissioner colleague, Jonathan Coppel. Thank you very much for being able to join us this afternoon and we appreciate you being able to do it by phone.

MS HAILES: Thank you for making the time to talk to us. We appreciate it.

5 **MS CHESTER:** Allison, I just thought I might explain. We are in the public hearing room in Melbourne. There are a bunch of folk, interested stakeholders, in the audience and you are on loud speaker phone so everyone is able to hear you this afternoon and to hear the questions that we have that we would like to run through with you as well. Firstly, I just wanted to very much thank the association for your active involvement in our inquiry. We
10 did meet early on in the process. You were also actively involved in our round tables, and we have received your post-draft report submission. So thank you very much for that.

15 Firstly, for the transcript record, if you could each just say your name and the organisations so we have got voice recordings in place, and then, Allison, if you would like to make some brief opening remarks.

20 **MS HAILES:** Thank you. It's Allison Hailes from the WA Local Government Association.

MR DUNCAN: Ian Duncan, also from the WA Local Government Association.

25 **MS HOLBROOK:** Jodie Holbrook, WA Local Government Association.

MR McBRIDE: And Paul McBride, Insurance Services in Western Australia.

30 **MS CHESTER:** Thank you and welcome. Allison, would you like to make some brief opening remarks?

35 **MS HAILES:** Thank you. I will just make some brief remarks. The association supports the review being conducted by the Productivity Commission and the majority of the draft recommendations obtained in the commission report. Local governments in WA face a number of challenges in addressing their emergency management responsibility, not the least because of the tyranny of distance that we experience here, but these require a co-ordinated approach across government.

40 To achieve this, we agree that the current framework for the allocation of natural disaster funding needs to change to increase the support for greater preparedness, mitigation and management of risk. It also should be greater fiscal (indistinct) and funding for repairing of damaged infrastructure to a more resilient standard, i.e. investing in betterment, including appropriate
45 trigger points for access to the funding and threshold to limit the amount liable to be paid for eligible events.

Also a key issue for local government here is the need for greater flexibility to enable councils to use their own resources to undertake restoration work as opposed to utilising contract service providers as is currently required under the natural disaster relief and recovery arrangements, and we would also like to see additional expertise made available to local government to assist with assessing and planning or designing the recovery projects that they undertake and there is appropriate funding made available to local governments for the development of emergency risk management plans and recovery plans.

In summary, the association supports the Commission's direction in terms of a greater allocation of resources being made to mitigation and upfront investment, but we do have some concerns about how this can be achieved and believe that there will need to be a transitional period so that we can bring about the changes in a way that local governments that experience disasters during this period aren't disadvantaged or experience a loss of funding for their recovery effort. So the implementation process, if you like, for the redirection of the investment is something that we have an ongoing concern about, but we do support the general direction of the Commission. Thank you.

MS CHESTER: Great. Thanks very much, Allison. Turning first then to one of the key areas that I think has been welcomed by local government associations in the post-draft report submissions we have received, and that is trying to engender greater autonomy and flexibility to local communities in terms of how the post-disaster funds are spend, so we get around issues like day labour and betterment. To do that, we identify in the report a need to move away from the reimbursement model, to try to come up with initial estimates based on assessed benchmark costs of what those post-disaster costs would be.

It would be good to get your feedback on how practical you see that being in terms of being rolled out across West Australia and local government and what transition timeframe might be appropriate to have in place, the relevant asset management planning and asset register information to inform that.

MR DUNCAN: Thank you. From the perspective of local governments in Western Australia, the principles I think you would find very strong support for. With our members, we have been grappling with the practicality of both estimating the costs to recover from a natural disaster and also integrate that with the recommendations of the commission in the betterment, so that you are dealing with the two issues at the same time. In terms of the asset management information that is currently available, I think we provided the Commission some general information.

The data in relation to the length and width and surface nature of a road

is reasonably well established, but what is not well established because it's not easy to measure and it's not easy to keep data contemporary, is the tradition of those assets. So, I guess, I question whether an asset management plan is actually going to be the most productive way of trying to estimate the costs to recover from a particular natural disaster event, bearing in mind that you would have to do those asset management plans across the entire road network which the local government in Western Australia is about 130,000 kilometres plus the bridges and other infrastructure, or whether there might be an alternative approach, and I don't have one particularly to suggest, but I think there needs to be significant more work before embarking down that particular road otherwise this will be a major impediment to effective implementation of that kind of an arrangement which would provide the autonomy and flexibility to Local governments.

MS CHESTER: Yes, okay. And that is you speaking, Ian, sorry?

MR DUNCAN: Yes.

MS CHESTER: Yes, good. So, Ian, I guess we saw a couple of these things being complementary, the asset management plans would be about how do you imbed natural disaster risk, and that goes to the heart of betterment issues. So, you've identified an asset management plan and that risk asset, and what you would do if a disaster were to occur. The asset registers I guess are really around what is the replacement cost or replacement value of a particular asset. We are getting some evidence from other State jurisdictions and other local government associations where they have been piloting some methodologies here using a combination of those sorts of tools plus benchmark costs for the costs of rebuilding certain assets in certain locations.

We're just trying to get a sense of where all the different States are at, in a relative sense, is it feasible and practicable, and we're getting some initial feedback that it is, but then getting a sense for what the transitional timeline might be for some States so we make sure that, you know, we're not changing the rules of the game before States have had a chance to get these arrangements in place. So, we might to - sorry.

MR DUNCAN: Through the integrated strategic process, over the last couple of years Local governments have been required to compare asset management plans. I think our experience over that is that it has been a long, hard road for many of them over a couple of years and those plans I think would still be at a too high a level and too strategic level to be effectively used to deal with a specific asset that might have been damaged by a natural disaster event.

I guess without being specific, I think there is a fair bit of work required to drive those asset management plans down from, you know, a network

level, to individual sections of road that therefore would be useful for the kind of activities you're talking about.

MS CHESTER: Okay. Thank you, that is helpful.

5

MR DUNCAN: There would also be, I guess, in addition to time there is significant resource requirements to do that, and the question will inevitably be raised, how do you get those sorts of dollars together to do that. So although you could do it over a course of years, maybe four or five years, there would need to be resourcing to do that, and that's a prerequisite.

10

MS CHESTER: Thank you. While we are on the issue of funding, the one recommendation that universally has had positive feedback is around the dedication of some mitigation funding by the Commonwealth government. The two issues there that would be helpful to get your feedback on. Firstly, the mechanism for allocating that mitigation spend of the Commonwealth, we suggested in our draft report that it be allocated on a per capita basis, and then State governments in consultation with local governments would decide how to allocate within a State. So, it would be good to get your feedback on that. And then, secondly, on the suite of options for a State jurisdiction overall to collectively match that mitigation funding.

15

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MS HAILES: It's Allison here. We haven't I suppose specifically had a discussion with our members about the formula in terms of how the funds might be allocated. I think my initial response would be that a per capita basis may well actually disadvantage WA given that we have a much larger land mass, and therefore potentially could experience, you know, a greater number of disasters, if you look at it proportionately.

25

30

I think there is work that each of the State governments are doing on or have done on State risk assessment framework, and perhaps rather than just a straight per capita allocation, the Commonwealth could consider the level of risk that has been identified in each of the jurisdictions. So, it would also give consideration to, you know, the type of risk and the frequency, you know, that that may occur on, et cetera.

35

In terms of the relationship or the allocation of funds within a State, certainly this association would like to see strong guidelines from the Commonwealth around the negotiations that, you know, could happen between State and local government. We wouldn't be supportive of funding going directly to the State government and the State having full consideration or determination of how those funds are to be allocated. But certainly we would want to see some requirement on the State government to partner with Local government in the allocation of those funds.

40

45

MR DUNCAN: If I could just extend the scope of your question slightly, I think the other element with mitigation funding that is important is that there

is a clearly modelled and mapped out transition arrangement between providing increased funding for mitigation and allowing sufficient time for that investment to have a positive impact on the reduction of the risks that are faced by the asset owners. So, the point is I don't think we could move, you know, in a short space of time from our current arrangement, we need to model that and plan that over a number of years to give those investments sufficient time to have impact.

MR COPPEL: Can I just come back to your final point that you made, Allison, in relation to the need to partner with local governments with respect to the funding on mitigation, and there needs to be some form of triage at the State level to determine where to allocate those resources. And my question is, is there a disparity among local governments that may lead to a disadvantage to particular local governments that may be smaller in terms of their size, or their scale may be such, in terms of geographic scale, that there would be a disparity between local governments which may affect their ability to put forward projects that get selected for the use in such a fund. Do you see that as a potential issue and, if so, are there ways in which it could be addressed?

MS HAILES: Yes. So, I think that depending on the formulas or the allocation models that are used, yes, you know, we could have instances where smaller local government or zones with a lower revenue base are disadvantaged, you know, if co-funding payments are required. Because obviously, you know, a local government with less ability to contribute will receive less funding, but may in fact not have a lesser risk, you know, they could have higher risks in their municipality.

Perhaps we need to give consideration to a local government's capacity to pay and look at a proportional arrangement, if possible. But I think, you know, certainly a straight dollar for dollar type arrangement is going to see those smaller Local governments significantly disadvantaged.

MS CHESTER: Allison, another element of your post draft report submission touched on emergency relief payments for individuals and businesses, and correct me if I'm wrong, but overall you support what we're recommending in terms of legislating eligibility criteria for AGDRP and the disaster recovery allowance?

MS HAILES: Yes.

MS CHESTER: But you had some views on the appropriate level of the AGDRP, it would be good to get your feedback on that. And I guess in our draft report we pointed to what we thought might be a reasonable benchmark, another Commonwealth government payment that is for people that have been put in, you know, emergency situations, whether or not we have got that right or whether there is another benchmark that you have got in mind that

would be more appropriate for those that are severely dislocated by natural disaster risk events.

5 **MS HAILES:** Thank you. I think that's in relation to draft recommendation 3.5?

MS CHESTER: That's right.

10 **MS HAILES:** So in relation to the second point, we have requested that a decision to reduce the AGDRP should be accompanied by careful dissemination because - well, we're asking that some further investigation be undertaken into the costs that are incurred by households and individuals, or have been, in previous disasters so that there is some evidence upon which to recommend any changes to that.

15 **MS CHESTER:** Thank you. The other part of our report that is highly relevant to local government is there was a suite of draft recommendations to do with land use planning, and it would be good to get your sense of whether we have gone far enough with our recommendations if our objectives are threefold.

20 Firstly, to increase the transparency around what natural disaster risk is effectively embedded in State planning policies that inform land use planning. Secondly, giving local government confidence to be able to make some of the tough land use planning decisions that they need to make. And then, thirdly, any of the impediments or barriers that were identified to local council, local government releasing natural hazard information as it becomes available and it's reasonably reliable, making that available to their communities?

30 **MS HAILES:** Thank you. We fully support all of those objectives. And the key thing for local government is that they have the authority if you like to apply the necessary land use planning policy requirements when there is development, you know, proposed in areas where there have been risks identified or a, you know, potential risk. But at the moment I think that there is limited data made available to local government and the process for how that is incorporated into local planning policies and subsequent development decisions can be done in an ad hoc way at the moment.

40 So further information and guidance from the State government on the risks that should be incorporated into land use planning policy that a local government level is supporting. Certainly, increasing transparency to single potential landowners is thwarted as well. I think though we need to ensure that there is no additional burden or liability incurred by Local government as a result of that work though.

45

5 **MS CHESTER:** Thanks, Allison. I think that probably covers the questions that Jonathan and I wanted to run through with you and your colleagues this afternoon, helped very much so by our earlier consultations with you, and also the post draft report submission which we very much appreciate. So thank you very much for being able to join us, albeit by teleconference this afternoon at our public hearings.

MR COPPEL: Thank you.

10 **MS HAILES:** Thank you very much. We look forward to your report.

15 **MS CHESTER:** We will adjourn and allow people to stretch their legs and grab a cup of tea or coffee. We're running a little bit behind, so if people wouldn't mind just limiting it to 10 minutes, if we could be back here at 3.45 that will be much appreciated. Thank you.

ADJOURNED [3.36 pm]

20 **RESUMED** [3.47 pm]

25 **MS CHESTER:** Thank you very much for attending our public hearings and also for your initial submission to our draft report and then our post draft report submission as well. If I could each just get you to state your name and the organisation you are representing for the purposes of our transcript record, and then if you would like to make some brief opening remarks; if we could limit those to five minutes collectively, that would be appreciated.
30 Thank you.

MR COSIER: Thank you. My name is Peter Cosier, I'm the director and member of the Wentworth Group of Concerned Scientists.

35 **PROF KAROLY:** And I'm David Karoly, I am a professor at the University of Melbourne and also a member of the Wentworth Group of Concerned Scientists.

40 **MR COSIER:** We won't take five minutes, in fact first of all I'll just say thank you very much for inviting us to appear. We have given, as you said, a submission and the supplementary comments on the submission. In brief, we agree with your report that governments are over-investing in reconstruction and under-investing in mitigation. We also support your conclusion that land use planning instruments can be a much better used vehicle for dealing and
45 managing risks.

5 The two issues we raised in our comments in your draft report were that the draft focuses significantly on existing risks. We believe it needs to take climate change risk as more seriously as the science suggests that you need to. Our second comment on your draft report is that we would encourage you to increase the status of land use planning as an effective vehicle for managing risks, and incorporating these risks into other land use and land management trade-offs.

10 That's all we really would like to say in introduction and will be happy to answer questions.

15 **MS CHESTER:** I'm very happy to have efficient introductions, so thank you very much. Going to the heart of land use planning which, for us, is kind of like this potent policy lever that ain't used too often or too well. We do, in our draft report, have a kind of a collection of recommendations where we're trying to do a couple of things.

20 We're trying to sort of raise transparency and accountability about what natural disaster risk is embedded in land use planning through SPPs, State planning policies, trying to make sure that councils are in a position to make the brave decisions that they need to make, and also making sure that the information about what natural hazard risks are being faced by communities, that government has, is shared, so if local government has done flood mapping.

25 From your perspective, do our recommendations go far enough if they're the objectives that we have got, of turning land use planning into this sort of policy lever that it should be, or are there other things that we haven't recommended that we should be?

30 **MR COSIER:** As I said, we are encouraged that you have identified that land use planning is an effective statutory mechanism for dealing with risk. Our dilemma, and it's one I think faced by many, is that Australian governments generally today are not using land use planning as effectively as they could to deal with a whole raft of social, economic and environmental issues. So, there are examples around Australian where land use planning has been used well, but they are very few these days. We have drifted into a short-term economic focus which has long-term economic, social and environmental consequences, many of which can be addressed through the land use planning processes. The core in relation to this inquiry is the scale at which that risk is managed.

45 As you would know, land use planning is built on a hierarchy of policies. If you start with the States, you have State policies, local plans and then sub-local plans. What was built into most State planning systems were a regional strategy or a regional land use planning process, very few States have adopted that model over the last 10 or 20 years, and that is really where

the climate change risk needs to be managed and addressed because that's the scale at which these processes are operating.

5 From the Commonwealth perspective, their interest is that they are major funder of last resort in this process, hence our first opening comments, we strongly support your views that they are over-investing in reconstruction and under-investing in mitigation. I think in our initial report we suggest, well, if the Commonwealth is going to fund these processes tax payers have a right to expect that they will audit those expenditures. And so therefore we agree the
10 Commonwealth has a direct interest in whether or not regional planning is done appropriately to manage these risks.

15 **MR COPPEL:** Are there obstacles to regional planning, given where planning is implemented at a local government level?

MR COSIER: The obstacles to regional planning are attitudinal. It takes time to do regional plans well; it requires extensive community consultation to do plans well. There are examples where they have been done quite well. We would reference the South-East Queensland plan for example, as an
20 example of a good regional planning process, but it took them five years to go through that process.

25 These days you have significant pressure on development to approve something quickly. So, an example of what we consider to be terrible regional planning would be the way the coal seam gas industry was regulated over the last few years, it was regulated through mining acts which are designed to, you know, assess site by site impacts. And yet, you know, those approval processes were dealing with tens of thousands of well heads across a landscape; that should have been through a regional planning process.
30

So the obstacles are, in our opinion, are attitudinal because the long-term economic benefits are as strong as the long-term environmental benefits of addressing those things holistically.

35 **MS CHESTER:** On the issue around climate change and embedding that in the risk management framework, and we do talk about this a bit in our draft report in terms of a lot of the risk management is informed by looking back historically, using insurance loss data which is 30 years, which doesn't show any structural change yet and that's not surprising really given the time
40 horizons that we're looking at. What are some models that we could look to, either in other areas of industry, whether it is insurers or reinsurers or anyone globally, where climate change is being embedded in risk management frameworks looking forward.

45 I guess where I'm coming from there is our focus is on the funding arrangements and making sure that there is transparency and accountability. And one area there is how governments provision for these risks going

forward, and if climate change is going to be a driver of elevation, elevated costs of these risks going forward, then how does that get embedded into those provisioning frameworks which is kind of what tends to get government to do something?

5

MR COSIER: My brief comment would be the first step is to understand the magnitude of the climate change risk. I'll pass that to David.

PROF KAROLY: Let me try to comment on a couple of things that you have asked about already. I mean the first one is that while it is difficult to separate the changes in risk associated with, for instance, frequency of heatwaves, frequency of bushfires or frequency of coastal inundation, there are in fact a number of observational studies that do demonstrate that in each of those areas there is already a significant change in risk over the last 30 years compared with the previous 30 years.

However, asking insurance companies or looking at the costs associated with those impacts is much harder, because in addition to the climate drivers there are a number of other factors that are affecting the costs associated with those impacts, in particular, the changes in urban development, coastal development and things like that. So, it's much harder to disentangle the costs associated with those natural disasters than it is to disentangle the information about changes in coastal inundation, changes in frequency of heatwaves or changes in frequency of extreme fire weather and things like that.

The Bureau of Meteorology and CSIRO have clearly shown increases in frequency over the last 30 years compared with the previous 30 years in all of those major indicators. The issue then becomes when you are mentioning, if you like, regional planning, particularly for coastal inundation it is often based on historical data rather than even current data, let alone data for the next 30 years. Those data are available from a range of climate model projections including best practice regional data. The draft report didn't appear to recommend the use of this best available data for the next 30 years, it appeared to be primarily basing it on historical data.

Reinsurance industry is using best information available internationally on risk in Australia. Insurance companies themselves appear not to be as concerned about change in exposure because the insurer of last resort, the Federal government, or reinsurance companies have often bailed out major risk, and a classic example is the Queensland flood levy. So, using best practice would be to look at what is happening overseas with reinsurers who are taking into account changes in risk associated with coastal inundation, changes in risk associated with heat waves and related, I guess, climate change impacts.

5 But it is important to understand that there are clearer signals of changes in natural disasters in some specific natural disasters than in others. So, there isn't a scare signal in some, but there are clear signals in coastal inundation, in extreme temperatures and in heatwaves, and in bushfire weather, and not in any other natural disasters.

10 **MR COPPEL:** You mentioned that it is important to get the Commonwealth more involved in regional land use planning or given an impetus to State jurisdictions to use greater - put a greater emphasis on regional planning. What is the best way of doing that, is it a heavy handed approach or a supporting hand, are there specific instruments?

15 **MR COSIER:** Yes, the carrot and the stick. I guess the answer to your question with respect to this inquiry would be the same answer you'd give with respect to infrastructure investment programs from the Commonwealth, in other words, is there a - how can the Commonwealth be assured that their investment is most cost effectively used.

20 In the instance of infrastructure, you have Infrastructure Australia who does those assessments, provides reports. In this instance we would suggest a similar mechanism where the Commonwealth is understanding of the science, the probabilities and the risk profiles attached to that, and using whatever processes are appropriate to ensure that when they do give money to States to encourage them to invest more in mitigation and less in reconstruction, that they are tied to those grants. So, tying expenditure to outcomes for risk management would be the same as tying expenditure outcomes for infrastructure investment.

30 **MR COPPEL:** Just a point of clarification. When you talk about regional planning, is that distinct from strategic planning?

35 **MR COSIER:** Different States have different terminology which is why it gets complicated, so let me try and keep it simple; I'm most familiar with New South Wales so we'll go with that hierarchy. New South Wales has State plans, State planning policies, they used to have regional plans but in 2006 they actually wrote them out of the statute, then you have local environmental plans.

40 So the regional plans are meant to be a land based plan that sits over the top of a local environmental plan, so they are meant to be – they are statutory instruments. But quite often in developing those statutory instruments, you would undertake a strategic planning process which is effectively a SWOT analysis of your strengths, weaknesses, opportunities and threats, and spatially have that information in the public domain with the community, and from that derive the balanced outcome that the society thinks is appropriate to be putting into the land use planning instrument.

5 The challenge that Australia has at the moment is we are not using the regional planning processes. We tend to go from straight policies straight down into local plans, which is fine for assessing specific site developments and managing the local community trade-offs, but when you come up a level and you are dealing with the environmental processes that we are dealing here with, either the climate change or water management or landscape conservation issues, that is the wrong scale for addressing those processes.

10 So the challenges that we think Australia needs to face is putting a greater emphasis on that middle level of planning, the regional planning, and we think that this inquiry is an excellent vehicle for Australians to think more deeply about those opportunities.

15 **MS CHESTER:** When you say the Commonwealth level, that the Commonwealth is best placed to provide that sort of guidance, who in the Commonwealth do you have in mind and what mechanism would we put in place to see that happen?

20 **PROF KAROLY:** Are you asking about guidance in terms of climate change risks or guidance in terms of the whole funding arrangements. In terms of climate change risk, it is clear that the Bureau of Meteorology and CSIRO have been best placed to provide broad scale observational data and projections of national scale and state scale projections. The National Climate Change Adaptation Research Facility, NCCARF, was funded by the federal government to provide, if you like, adaptation to, for instance, extreme weather and risks in a range of different areas.

25 Their funding was extended specifically to provide adaptation response and information on, if you like, coastal inundation, and their focus is now on coastal risk, including coastal inundation. There is no body at the national, federal level that provides advice on climate change impacts at a regional level.

30 **MS CHESTER:** I guess I was getting to the issue, and it's a little more focused for the purposes of our inquiry, if you are looking to allocate a mitigation spend and you want to get best bang for your buck, you would allocate it on maybe a risk rated basis, and I thought you were suggesting that there was someone in Commonwealth-land who knew what that risk rated basis was, because we have spoken to a few folk and we haven't had that feedback from them yet.

35 **PROF KAROLY:** I think that is because there isn't a single body. So in terms of climate risk, the broad scale climate risk, particularly for coastal inundation, temperature extremes, things like that, is provided by the Bureau of Meteorology and CSIRO. Geoscience Australia has a responsibility also for coastal mapping and coastal inundation information. Bureau of Meteorology also has the national tidal facility and they look at observational

data in terms of this coastal inundation. CSIRO also does climate projections for changes in risk of coastal inundation around Australia, so they are also doing that in conjunction with Geoscience Australia.

5 So they are doing it in terms of a risk. Different parts of the Commonwealth government have exposure information on the infrastructure at risk and so obviously the combination of the information about coastal inundation frequency, as well as the value of the infrastructure at risk needs to be combined to essentially come up with a risk rating for cost benefit analysis or something like that.

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MS CHESTER: Am I right, from what you said earlier though, that if we were to look at one agent out there that might be pulling that all together and doing the projections, it would be the reinsurers with their CAT loss modelling, that they are drawing on that information and data that has been collected and analysed across a bunch of Canberra based agencies?

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PROF KAROLY: I don't know whether they are doing that in Australia at present.

20
MS CHESTER: But internationally.

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PROF KAROLY: Yes. In a range of different areas in Europe, in North America, they are doing that already.

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MS CHESTER: But particular reinsurers that are kind of stand-outs in the area that you would be able to - - -

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PROF KAROLY: Munich Re is the leader internationally.

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MR COPPEL: In your post-draft submission, you make reference to the Canadian model in the way of federal level providing better guidance on land-use planning. Can you say a little bit more about what it is that Canada does well?

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MR COSIER: We can't because the person who could, Professor Bruce Thom, is not able to join us today, and I did ask him the same question in anticipation of that question. I would have to take that on notice. Professor Thom has a long history of involvement in coastal management issues in the United States and Canada and is quite aware, both historically and in best practice now, as to what is happening there. So if you have a particular question, we have to take that on notice.

50
MS CHESTER: One of the other areas in our report where we provide either a draft recommendation or a draft finding was really around the co-ordination of research efforts, around natural hazard risks and natural disaster risks. The government has made a little bit of progress with turning

the Bushfire CRC into having a broader ambit. It would be good to get your feedback on that model and how greater co-ordination could be secured in that space.

5 **PROF KAROLY:** I have been aware of and familiar with the efforts of the Bushfire Co-operative Research Centre and also, if you like, broader status. The Bushfire Co-operative Research Centre has the Bureau of Meteorology as one of its partners and also partners with the University of Melbourne and groups like that. It is not typically making use of the latest climate change
10 projections to try to look at risk, but more using current observational data and empirical models to look at that. If you like, changes in risk of natural disasters. I am not completely familiar with what their current research plans are in terms of broadening their scope from focusing primarily on bushfires to broadening it to natural disasters, so I can't really comment too much on
15 that.

MS CHESTER: That covers the handful of questions that we were hoping to run through with you this afternoon, to get a better understanding of the submissions that you have made to us and what implications that has for
20 trying to get the right, effective risk management framework going forward, given that natural disaster risks are here to stay. Thank you very much for joining us this afternoon.

25 **PROF KAROLY:** Thank you.

MR COSIER: Thanks very much for inviting us.

MR COPPEL: Should we follow up directly with Bruce on that particular
30 question?

MR COSIER: He could come through me if that is easier for you.

MS CHESTER: Thank you. I would like to welcome our next participant to this afternoon's public hearings representing the Save the Children organisation. Welcome. If you would like to just state your name and
35 organisation just for the purposes of the recording transcript, and then some brief opening remarks.

MS DAVIE: Thank you. My name is Susan Davie from Save the Children Australia. Thank you for the opportunity to meet with you and discuss Save
40 the Children's submission to the inquiry.

I would like to set the scene by sharing a story of Tilly Smith, a 10 year-old English schoolgirl who was on the beach with her family in Thailand in
45 2004. As a result of a geography lesson, Tilly recognised the warning signs of a Tsunami and was able to warn, not only her family, but is credited with saving the lives of around 100 people who were on the beach that day.

5 She recognised the hazard, understood the risk, and took protective
actions, thanks to learning about earthquakes and tsunamis at school.
Knowledge that gave her confidence to act when faced with a life-threatening
situation on the other side of the world. The current Productivity
Commission Inquiry into Natural Disaster Relief and Recovery
Arrangements provides a unique opportunity to provide a focus on
preparedness activities that centre on children. Ensuring that children have
the skills and knowledge to understand risks and hazards and, more
10 importantly, to know what protective action they can take in the event of an
emergency or disaster is crucial to building long-term individual household
and community resilience.

15 The inquiry's draft report makes specific reference to children with
regard to disaster relief payments, with no focus on children becoming part of
the preparedness and resilience solution. This is not an unusual situation in a
disaster management sector in which children are overlooked by emergency
management practitioners, a fact that was recognised by the United States
government when the National Commission on Children in Disasters was
20 established following Hurricane Katrina. In that commission's interim report,
the term "benign neglect" was coined as the unique vulnerability of children
had been overlooked in disaster management.

25 This is also the case in Australia where our emergency management
arrangements and plans do not specifically address the needs of children.
The Federal Emergency Management Agency in the United States has
developed a national strategy for youth preparedness education. The strategy
recognises that disasters do not affect everyone equally and building
resilience must include disaster education that has a focus on preparing for
30 and responding to threats and hazards. The aim of this education is that
prepared youth can become the resourceful adults of the future.

35 Taking a whole community approach has the benefit of increasing
resilience broadly and can only be achieved with the involvement of children
and young people. The FEMA strategy identifies the reason that children are
essential in creating resilience. First, empowered youth can help engage their
families, their peers and their communities in disaster readiness. Children are
positive influences and can help spread the message to their family by
participating in preparedness activities. Children can also become leaders.
40 By participating in youth preparedness programs, children are empowered to
become leaders at home and in their school and their communities.

45 Second, youth are empowered through understanding of risks and
knowing protective actions. Prepared children are more confident during an
actual emergency demonstrated by the example of Tilly Smith. Third,
today's prepared children are tomorrow's prepared adults. Given proper
training, children can develop strong skills that they carry into adulthood.

5 There is a growing body of evidence that support these three key points and they should be reflected in activities here in Australia. The Save the Children submission to this inquiry outlines some key areas where children and young people could be engaged in emergency and disaster education and preparedness.

10 Ensuring that hazard and disaster education is maintained in a national curriculum is one area that will result in a more informed community. Providing opportunity for meaningful engagement is essential, and providing programs that can be rolled out nationally, hold the key. This can only be achieved with a commitment to ongoing funding. There are many examples of projects that can make a real difference in communities. The October 2014 FEMA Children in Disasters Newsletter, reports that the Mississippi Youth Preparedness initiative was recognised at a ceremony at the White House last month.

20 Their hallmark program is a comprehensive service project called prep plus six, which requires students to create emergency preparedness kits for their own families, and to work with six additional families to also get them prepared. The co-ordinator of the program stated:

25 *The outreach capacity that is created within our service project, prep plus six, has been phenomenal in terms of bringing our youth into the preparedness framework, getting them involved in this work, building their knowledge base, and allowing them to see direct impact for their good service back to their families, neighbours and communities.*

30 This is just one example of a project that could be implemented on a national scale in collaboration with emergency service organisations. Another important way to raise awareness is to endorse a national day of preparedness which could have a focus in schools across Australia. In Save the Children submission to the inquiry, the shake-out example was used to illustrate the value of a national emergency drill. The shake-out drill occurs at 10.16 on 16 October each year and focuses on the drop, cover and hold-on actions that should be taken in the event of an earthquake.

40 On 16 October 2014, a couple of weeks ago, more than 10,800 K2 schools and districts in the United States and across the globe, participated in shake-out earthquake drills with more than 26.4 million registered to participate. Save the Children proposes that an Australian national day of action could take place on the United Nations International Day for Disaster Reduction which occurs on 13 October each year. The focus of this day could centre on activities in schools. Children and young people not only require different support to adults in the aftermath of disasters, but they should be actively engaged in disaster prevention and preparedness.

5 This not only empowers individual children and young people, but will have positive effects in the entire community resulting in increased disaster resilience. This can be achieved with an ongoing funding commitment from the Australian government. With the spirit of this commission's draft report shifting funding towards mitigation activities, it is vital that children are not invisible and that benign neglect is not reflected in the outcome of this inquiry. Thank you.

10 **MS CHESTER:** Thanks very much, Susan. One of the key issues in our draft report in terms of getting the balance between pre and post funding arrangements is how mitigation can be best spent, and I think a lot of people tend to focus on hard mitigation as opposed to soft mitigation which is really what you are talking about, an innovative form of soft mitigation. It then raises for me the question of what sort of level of government would you see as responsible for effectively doing the analysis and putting forward the proposal to merit getting funding from that sort of \$200 million funding pool?

20 **MS DAVIE:** I think one of the challenges with the way things currently work in Australia is that we have the three levels of government all doing different things, but I think one of the things that is really important to actually build disaster resilience is to be quite strategic and have a standard process right across the country. So I think it needs to be driven from the federal government and, for example, using programs that are absolutely standard right across the country. So if we take the national curriculum, for example, different children in different schools might be ticking off on sections of the curriculum but learning quite different things.

30 I think we should look for opportunities where we can actually make sure that all children are receiving key information no matter where they live in Australia, and that really takes a national approach. It can be fed down through the states but I don't think it's the responsibility of local government. I think it needs to be co-ordinated so that we actually know that all children will be receiving similar information.

35 **MS CHESTER:** One of the things on school curriculums that we hear is it's a pretty crowded curriculum so there are competing needs that need to be met. It would be good to get a sense from you of what is currently in the Australian school curriculum in relation to natural disasters. I know what is in the year 10 geography curriculum because they do cover natural disasters but not from the perspective that you are talking about.

45 **MS DAVIE:** Yes. There are a few points in the national curriculum. There are a couple of points in the primary years, I think it's year 4 and year 6 where the natural world is discussed but, again, it depends very much on the school, on the individual teachers as to how much children learn in that area. There have been some fantastic examples. I live in Victoria so I know

mostly about Victorian examples, but I have seen fantastic work done in a school in North Essendon where the children spent a whole term, they did amazing projects, they learnt a lot about different disasters. They could choose their disasters.

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I was fortunate enough to go along and see them present their projects and they really had deep understanding of the disasters that they had chosen. There is also a school out in the east of Melbourne, it's in a bushfire area, Harkaway Primary School, where they spent a term learning about mainly bushfires, and they wove it through the curriculum out there in a number of ways, art, English, maths, science, and the children ended up having – the school, the whole school came together for a bushfire preparedness evening when the CFA went along to present - nearly every family in the school turned up.

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The children produced a book, it's an amazing book about getting ready for the fire season and I was fortunate enough to hear them read the book, three young people, and they went through everything and I thought I wonder how much they really know. I quizzed them about their knowledge and they had very deep understanding of the bushfire rating system and the actions that they needed to take and had been able to influence their families with regard to planning. One family even, in summer, drive out onto the highway so they drive past the light-up board so they know what the fire danger is every day.

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They are individual examples; it would be great to have that happening right across the board. There are other ways that we can do that. I can give you an example, a Save the Children example. After Hurricane Katrina, a program called Journey of Hope was developed in the United States to help children cope with the emotional trauma of experiencing the cyclone. It's an eight session program. It's manualised. It's very standard. Each session deals with a different emotion. It has been evaluated by the University of Texas and has been shown to make a difference in the way children are feeling and the way they are performing at school.

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It has been rolled out now. It has been used in Christchurch after the earthquake, Japan after the tsunami, Canada after floods. Much more broadly in the United States and the UK are just rolling it out as a general resilience program. Partnering that with a program, for example, the Red Cross Pillowcase project where children are taught about preparedness using a pillowcase as an example. Red Cross developed that also after Hurricane Katrina and it is being evaluated. It has been trialled in Australia at the moment, one of six countries around the world where 2000 students in South Australia will experience that program and it is being evaluated by Professor Kevin Ronan from the University of Central Queensland.

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Having two programs like that rolled together and rolled out to all school

5 children would actually make a difference in their knowledge. One of the advantages also of using Journey of Hope is that preparedness can also roll into recovery. So if there is a disaster, if we have people around the country who are able to roll those programs out, it's a double-edged – I shouldn't say sword – it's good on both sides, in mitigation and in recovery.

10 **MS CHESTER:** Based on the international examples you cited, they are sort of evidence or analysis that show the net benefits of some of these initiatives that can then inform, I guess, putting forward a case for this being a soft mitigation option down under.

15 **MS DAVIE:** Yes. It's really a challenge not actually having the hard data to be able to show that. Both of those programs are being evaluated and continue to be evaluated. I would have to have a look at what is available for the pillowcase option, but certainly Journey of Hope, there have been several evaluations done of that project. I guess in some ways with this soft stuff, we know it happens. I don't know what the reluctance has been to actually do a lot of measuring. I guess, sometimes if we measure it and we find something wrong, we need to do something about it.

20 But if we look to Ben Hubbard's five year post-Black Saturday report which he produced earlier this year, there is a whole section in that on the effects of children and youth with developmental delay across many age groups in the fire affected area, so we know that these things are happening. In some ways, preventing them from happening means that you don't get the bad outcomes so it's hard to measure when we don't have baseline data. It's a pretty tricky question.

25 **MR COPPEL:** When these programs are rolled out nationally, there has been no evaluation of the trials to get a sense of what is – that it actually works, and what isn't working.

30 **MS DAVIE:** To date in Australia we haven't had those national rollouts, but certainly with the two projects that I have mentioned to you, the Save the Children one and the Red Cross one, evaluations are being done and have been written up. Someone has done a PhD looking at Journey of Hope in the United States.

35 **MR COPPEL:** Are you familiar with the sort of things that are things that work?

40 **MS DAVIE:** With those particular programs, the things that are reported are that – and it is soft – the children are feeling better, they are doing better in school, so a lot of the bad behaviour – that is not the right word – disruptive behaviour that might be happening in classrooms, really settles down so the teachers find it very helpful. The parents also find it helpful. That program is age specific. There are about five different age groups and a carers'

program in that one. Generally, it's helping children identify feelings and emotions and learn ways and strategies to cope, if those emotions are interfering with their everyday life.

5 **MR COPPEL:** If you took the case of Australia, the Queensland coastal area may be cyclone; Victoria may be bushfire. Or are you aiming to get a broad disaster - - -

10 **MS DAVIE:** It's broad, and both of those programs have been used in a variety of disasters. So hurricanes, fires, tornadoes, floods, earthquakes, tsunamis, they have been used in all of those.

15 **MR COPPEL:** Even if these sorts of risks may not be prevalent in that particular area.

20 **MS DAVIE:** The two projects that I have mentioned, and there are many others, but those two are really about general preparedness, what you need to do to have a preparedness kit. It's almost universal. It's the same thing. One you might need rubber gloves; one you might need a steel bucket, but really, by and large, the same thing, and Journey of Hope is about psycho-social preparedness so it doesn't matter what the disaster is or the hardship or the trauma that a child might experience. And I think that actually that is part of the value in those kind of programs, that they are not hazard specific.

25 **MR COPPEL:** They are not. Okay, thank you.

MS DAVIE: That was the answer you were looking for, sorry.

30 **MS CHESTER:** Susan, thank you. I think we have got a much better understanding of the soft mitigation and looking at it through a different lens, those of children, and we have heard from other participants like yourself who give us that different angle and it helps us in finalising our report, making sure that we get that balance between expenditure on soft versus hard mitigation. So, thanks very much for coming along this afternoon.

35 **MS DAVIE:** Thank you.

MR COPPEL: Thank you.

40 **MS CHESTER:** I would now like to welcome the East Gippsland Shire Council. Good afternoon and welcome. If you would like to just state your name and organisation for the purposes of the transcript.

45 **MS NELSON:** My name is Kate Nelson. I am the director of planning and community at East Gippsland Shire Council.

MS CHESTER: Thanks very much, Kate, for joining us this afternoon, and

thank you also for your council's submission to our draft report and then post-draft report submission as well. We very much appreciate that and your involvement in our inquiry. Would you like to make some brief opening remarks before we get into some questions?

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MS NELSON: Just really to set the scene, East Gippsland, in a Victorian context is a very large municipality. We are the second largest in the state, 21,000 square kilometres, extensive coastline and over 70 per cent of the municipality is public land of one sort or another which mostly has trees on it, so a potentially remote area in Victoria. My role is director of planning and community and I have, I guess, responsibility for strategic planning in a very broad sense, so land use planning, community planning, environmental planning, social planning, but also community development.

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Emergency management is one of my responsibilities as well, and I guess that reflects the fact that we see emergency management and responding to natural disasters as a community development exercise, if you like. And it reflects the sorts of changes in local government's role, particularly here in Victoria, from most recent experience. I am not here claiming to be any sort of expert on behalf of local government, I am here because we have experience with managing emergencies and natural disasters in our municipality and you have heard reference to that today already.

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We are almost consistently responding to, or recovering from, events in our municipality. At the moment we had fires in the early part of the year. We have helped those communities get back on their feet and we are about to start a two year program of community recovery, and now we are heading into the fire season again. So between fires and floods, storms and other things, I guess it's part of the risk of living in an environment like we do, but it has also led us to the conclusion that we need to commit resources to emergency management so we are one of few municipalities where there are dedicated resources. At the moment we have two EFT or equivalent, two people. One of those roles is funded by the state government.

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When we set those roles up originally, we thought in between disasters they could go off and have a holiday, but it doesn't work out that way these days. It's pretty much a full time exercise. We are also heavily engaged in adaptation planning. So in our coastal areas, in particular around the Gippsland Lakes and Lakes Entrance in particular, and part of our recovery program that we are commencing in our inland area, so up in our high country, is around helping communities to adapt. There really isn't much you can do to mitigate the impact of natural events that they will experience so our focus is on helping individuals and communities to work out how they can conduct themselves in the circumstances and not just recover, but get to a strengthened position in terms of how they will cope with future events.

So we come to this with that perspective as well, where we have kind of

5 moved from just thinking about natural disasters being things that will happen to things that will be happening more frequently into the future as the climate changes. The reason we are here, and obviously the only local council in Victoria who is here today, is because we were concerned that the individual Victorian councils' experience perhaps wasn't coming through in what is a very important process, so I guess we have made the effort to come down and present, and thank you for that opportunity.

10 In general terms, we agree and support the submission made by the MAV and ALGA today. The reality is for a council like East Gippsland Shire, the ability to pay for protection or restoration in many cases is severely constrained, not only in respect to accessing dollar resources, but also being able to actually impact on risk levels. So if we do things, can we actually make things, can we improve things? Our observation in working with communities that have been affected are that it's frequently the people who are least able to make improvements to their circumstances and the cumulative impacts of events that we have had, really means that those people are more likely to be negatively affected on a regular basis, and it creates an increasingly negative outcome for communities and individuals. And if there's going to be less capacity to pay to help communities recover, then that will be exacerbated.

25 I think from a sort of financial management perspective in local government, I think it's worth pointing out that the focus of asset management requirements that we have has been on ensuring that local government is managing its infrastructure and maintaining it. So the focus of our capital works program is to make sure that we're meeting the depreciation rate of our existing infrastructure. That consumes an enormous amount of our capital budget, to the point where the primary focus is on maintaining and renewing infrastructure, and there are very few funds available to upgrade or develop new infrastructure. And so it's something we're measured on in terms of our financial sustainability, and there's a very big focus on are we meeting our infrastructure renewal gaps.

35 This concept about looking at improving or upgrading infrastructure does present some challenges in the way we have to report on our financial sustainability in meeting that obligation. So I think it's worth just mentioning that.

40 Reality is that we've benefited enormously over the years from natural disaster funding support. But even we can see that that's not sustainable. At the moment we are rebuilding some bridges that were in the process of rebuilding after a flood, where they got damaged by another flood before they were actually completed. That's a crazy situation to find yourself in.

45 I guess our view is that we can see that this is a big issue, it's a bit issue for local government. This review is very important, but we think that it

needs to have recognition that it's a very big process, bigger perhaps than just thinking about the past history of natural disasters and how communities are affected and ultimately how local government is. And it's an opportunity for a really strategic forward-looking response in terms of how we deal with this into the future.

There are obviously some things that need to be addressed immediately, but there does need to be some really good thinking put into how do we respond to natural disaster funding recovery adaptation over time, given the sort of scenarios that we're looking at happening, particularly in our communities on the coast. I guess we're keen to see the review take up that long term challenge in terms of the response.

I guess I wanted to say just a couple of things about adaptation versus mitigation. The report sort of uses those terms interchangeably, was my observation reading the report. I see mitigation as more of a - almost a one-off task in a more certain environment, and, for me, adaptation is more of an on-going process, it's about making changes, understanding what the impact is, and looking at then what the next steps are, so over time, changing to the things that happen that you might not have been able to predict.

I think it's really important to put this review in the context of that kind of thinking, that it's not just as simple as insurance and mitigation. Some of the responses are actually going to be around quite significant changes to communities, and Lakes Entrance would be an example where ultimately that community may need to relocate. So it's quite a serious kind of process for councils to be working with their communities to understand what the future might be.

I think it would be really valuable to see some recommendations around investing in adaptation planning so that we can actually be clear ahead of time how we will respond to particular events that might happen in places. In Lakes Entrance, for example, we are predicting that the impact of more frequent low-level events will actually be significant much earlier for that community than if there is a massive event that had a significant impact on the place.

So the actual impact in a physical sense might not be great, but it could be quite significant from a functioning of that community perspective, if people can't get around town for more than 20 days in a year or whatever those sort of triggers might be.

It's about, I guess, what we're looking at is how do you help a whole community to understand how they might want to respond to changes over time. A lot of adaptation planning and thinking around climate adaptation is focused on infrastructure, but the reality is infrastructure's there to support people, and that's why councils are there and why they have an interest. And

so this thinking around adaptation planning and the process to do it well is something we're still really grasping to get a good handle on, it's something that's fairly new in terms of the seriousness that's involved.

5 It's important to understand how communities will actually respond to these changes, what level of volunteerism there will be, what level of business investment, how people will respond to physical or engineering interventions that might be necessary.

10 I guess one of the key points I'd like to make is I think that this concept about putting the review about these funding arrangements in that context, I think, is quite important.

15 **MS CHESTER:** Thanks very much, Kate, that's really helpful and very much gives us a better understanding of the points that you were making in the post draft report submission. And it is important that we get the perspectives from different councils from different locations, because they are different natural hazard risks that are being faced and different challenges from a fiscal perspective as well.

20 On the issue around mitigation, and I know a lot of focus around mitigation tends to be around hard mitigation, whereas we're trying to make sure that there's a balance between soft mitigation if that results in net economic benefits as well, in terms of lowering the potential costs of natural
25 disasters when they occur.

 In our draft report we sort of identify a bit of a governance model for how that money should be allocated, and then how the decision making should occur at a State level involving local government, so we get the best
30 allocation of what's still a limited funding pool. Be good to get your thoughts on - given the broader perspective that you're bringing to these risks and the funding arrangements, do those governance arrangements go far enough in terms of making sure that the sort of mitigation options that you're talking about for your community?

35 **MS NELSON:** Look, it's not something that I've given detailed thought to. I think this whole issue around how you allocate funding for mitigation or adaptation is fraught with danger, in terms of where the focus might be. Smaller, remote places feel quite vulnerable, I think, depending on how
40 important they might be viewed in the broader context of what might be seen to be important across the State and across the nation.

 To be perfectly honest, I don't think that we have our head around who and how you actually pay for this kind of work to happen. And cost benefit
45 analysis I don't think is going to be the only way to actually understand that choice part of it. But this is something that we're really trialling, I guess, in

Lakes Entrance, is how do you actually reach agreement on what the responses are and who might pay.

5 That's partly why it's so scary, because you're going to go and ask a community, "How would you like to respond to these things", but we're not actually in charge of the legislative or other levers that might be required to actually bind the solution, provide the solution. I'm not sure that they exist.

10 **MS CHESTER:** You're right, and it's not just a simple answer of some mitigation, it's actually what happens with land use planning and SPPs and that around it. One other string of our recommendations, and it's particularly relevant for local government, where there is a mitigation that would benefit a residence, is partnering with the insurers where to some extent local government and insurers would kind of be aligned, you want to minimise the exposure of your community to these risks over time. Is that something that's been looked at by your council or considered with respect to the Lakes Entrance issue, which sounds like the most pressing?

20 **MS NELSON:** Not at this point, no. Yes, Lakes Entrance is our most pressing, but part of - we're at the point now where we need to go and engage with the community about the impacts. We've been collecting the background data and doing the coastal hazard assessments and those sorts of things. We're at the point where we need to start to have those conversations. So we haven't got into the detail of actually testing what solutions there might be, and certainly not discussions with insurers.

30 **MS CHESTER:** Because you might have seen in our draft report there are some examples, particularly from Queensland, where insurers not in partner with local government, but withholding insurance, actually resulted in fundamental changes, not just to mitigation, but also to land use planning, which kind of sounds like you're dealing with both of those issues with Lakes Entrance.

35 **MS NELSON:** Yes, we would be.

40 **MS CHESTER:** Around the recommendations that we do have in the report for land use planning, and I think you probably heard me a little bit earlier about what our objectives were, be good to get your feedback on whether or not those recommendations go far enough in terms of allowing local government to (1) make the tough decisions, (2) to have enough information from State government around their liabilities and how to manage these competing objectives going forward.

45 **MS NELSON:** It's interesting observing how the planning system has been changing over the last couple of years, and it's really turning into a risk management tool to a significant degree. And the planning scheme changes, like the bushfire management overlay or land subject to inundation overlay in

Victoria, they're quite blunt tools when it comes to existing settlements, but quite valuable when it comes to greenfield or surrounding areas.

5 We've done quite a lot of work, and Lakes Entrance is an example, where the lower parts of Lakes Entrance are significantly impacted by inundation, but the higher parts of Lakes Entrance are significantly impacted by bushfire risk. So how do you logically plan for the future of that place when you're trying to manage those two risks? And I think we can use good information about risk to understand how to do that, and we've done some
10 work that basically says, well, if you develop the areas on the outskirts of town, that interface area, to a higher level, you can actually protect the balance of the community from fire. So you create a much safer interface.

15 There's a lots of ways that that information can be used. But it needs to be used - it's most effectively used for strategic planning, it's not so effective in existing developed areas, or areas that have been approved for development already.

20 **MR COPPEL:** You made the point in your remarks that you're thinking about options like retreat. How do existing planning tools and instruments enable to even contemplate such an option?

25 **MS NELSON:** They don't. They don't at the moment. You issue a permit, issue a planning permit, it's pretty much for life. People are there, they've invested. So those options which would have to be contemplated in a place like Lakes Entrance ultimately, we don't know the answer to how you actually achieve that. It's not that it hasn't happened before, because it has happened in other places, but there isn't a clear mechanism for how you would actually do that. They're the sort of things that need to be tested. But
30 they're the type of - if you put responding to natural disasters in that climate adaptation framework, they're some of things that we are going to be contemplating with communities.

35 **MR COPPEL:** I think it's that lens that leads to this difference or how we've interpreted mitigation and adaptation. Climate change has a sort of mitigation side and adaptation, which are two sides of the same coin. And our terms of reference have asked us to look at the response to rapid onset events, and climate change may lead to a higher frequency of those, but it's actually when you have that event how do you then response or manage the
40 risks. And so mitigation and adaptation are often seen as two things on the same side of the coin rather than separately. And I think that's - - -

45 **MS NELSON:** I guess I'm seeing adaptation as more of a long-term process than a shorter-term fix.

MS CHESTER: I guess we see these risks evolving over time, so mitigation isn't just like a one-off event for particular high risk communities. One of the

5 other areas that would be good to get your feedback on is in terms of this issue of - that we've had feedback from a lot of local government and local councils about, is the legal liability side of the equation in terms of damned if you do and damned if you don't, in two areas. Firstly, in terms of making the tough land use policy decisions today - and appreciate that only affects greenfield largely - and then secondly, the release of that sort of - your assessment of the natural hazard risk exposure that communities are now facing.

10 **MS NELSON:** Yes. In terms of local government having to make the tough decisions I think, sometimes we feel like that tough decision making process is being pushed down too local government, and we do feel quite exposed, and so East Gippsland Shire has put cases for some sort of legal protection for councils, if we're acting on the best information we have at the time, that
15 there should be some form of protection.

I guess our view is that if we have information that's useful for the community, then we should be letting it be made known. But in an ideal world you would have some sort of response to, okay, this is what the information is telling us and this is what we're actually going to do.
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We have been funded to do a project by the Victorian Government, which looks at how to provide prospective purchasers of land with good information about potential risk, or natural disaster impacts, if you like. It's got a focus on climate change. What we're aiming to do is not just say to
25 people, your place is going to be impacted by X or Y. It's going to attempt to say, and these are the things that you need to be considering or understand about how you can mitigate that impact.

30 Because our observation in a whole range of areas is that people can be given information, but they often don't know how to process it or what to do with it. It's just like when people are given information about a fire's coming, they might have their own fire plan but they sometimes don't know how to translate that into, and therefore I need to do X or Y. I think it's the same
35 with providing people with risk information about properties, they need to understand so what does that mean, not just that there is this information. So that's the focus that we've taken with that project.

I'm not sure if I'm answering the question.
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MR COPPEL: If I just can come back to a point you made in your remarks about the effects or information that you have on the cumulative effects of natural disasters, I think it was bearing on community resilience. What sort of information do you have or evidence do you have on these cumulative
45 effects? It's something we haven't come across yes, we'd be interested in knowing more.

MS NELSON: Yes. Look, it's probably just observations or anecdotal information. People who are traditional country people in rural areas are typically seen as pretty stoic and resilient and, you know, get on with life. And our observation is that that's not necessarily something that you can rely on these days, and that where communities, you know, a few years ago might have been affected, they kind of get themselves back on their feet, that's not necessarily the case. And that's the situation that we've got in Bonang, Tubbut and Goongerah at the moment, where our observation is that that community's not as easily bouncing back.

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But equally we have other situations where we've worked with communities to develop what we call local incident management plans, where they have a plan for what's going to actually happen in their community if there's any sort of event. And you can see that they do actually - they know what they're doing, they know how to respond, and they feel much more in control of what's actually happening to that particular place.

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So I think we've got evidence a little bit of both, positive and negative, depending on how well that community was positioned. And obviously it's not just natural disasters that affect these places, it's the economy and the farming scene and how vulnerable that community is to a range of other things. But it's when you put a number of events together with those other factors, you can - what we're starting to see is that you can't assume that those communities will be resilient, where they would have been, we would have seen that more in the past.

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MR COPPEL: Thank you.

MS CHESTER: Kate, thank you very much for attending this afternoon, and again for your post draft report submission, we appreciate you've realised there was a little bit of a gap in our knowledge set of Victorian local government, so we appreciate that submission, and thanks for your attendance this afternoon.

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MS NELSON: Thank you.

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MS CHESTER: I'd now like to welcome representatives from Suncorp to join us. Good afternoon and welcome. If you wouldn't mind just stating your name and organisation just for the purposes of our transcript recording.

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MR BONE: Certainly. My name is Duncan Bone. I'm senior manager of public policy with the Suncorp Group.

MR HONAN: And Ben Honan, corporate affairs advisor in public policy.

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MS CHESTER: First, just let me say thank you very much for attending this afternoon but also for Suncorp's active involvement in our inquiry

process, to sort of be manifest in an initial submission, a post-draft report submissions and meetings that we've had with you and your involvement in our roundtables. We do appreciate that. If you'd like to just make some very brief opening remarks and we might get into some questions, if that's okay.

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MR BONE: The Suncorp Group is one of the largest general insurance groups in Australia with around 9 million customers and 15,000 staff. A typical day for us involves the payment of \$14 million in claims and well over 25,000 phone calls from our customers. We've had a strong position of supporting mitigation as the most effective way to manage risk and reduce premiums across the country. We're committed to working with a wide group of stakeholders to help achieve a more effective way of managing this risk.

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15 A key demonstration, this has been our work with Roma, that I believe you mentioned before, on flood mitigation. With Roma's new levee we've substantially reduced premiums for our customers and delivered a net benefit of around \$65 million to the local economy there. As an insurer, our core business is measuring, analysing and pricing risk. Certainly we acknowledge the complexity of the issue of natural peril risk in Australia and the complexity that would be required in the response. We think the Commission's draft report has created a very clear pathway to allow the community, including insurers, government and individuals, to better manage the peril risks that many Australians are exposed to.

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We have also undertaken a fair amount of work ourselves in this area that we've shared with the Commission. We commission a large number of reports that have looked at how risk is apportioned across the community and looked at the benefits of appropriate mitigation and resilience projects and spending. Additionally, we're committed to continuing this work with as many partners as possible. We've recently partnered with James Cook University to better understand cyclone resilience in North Queensland as well.

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35 **MS CHESTER:** Thank you, very much. A lot of our discussions in the submission that you've made to us does focus on the role of mitigation. I guess one of the key objectives of our inquiry was to try to get the incentive framework right so we had a better balance between expenditure pre versus post disaster. It would be good to get your thoughts on what Suncorp would see as kind of, firstly, the optimum level of mitigation, knowing that there's no sort of single figure. But given your understanding of sort of the natural disaster risks and the hotspots around Australia and potentially some mitigation options, have we got it about right with the 200 million if it's matched by state jurisdictions in terms of mitigation activity going forward at a government level?

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5 **MR BONE:** We'd probably think without more work to adequately understand where we could effectively spend those dollars to provide a good benefit to the communities, we're not entirely sure. I mean, as a preliminary number, we think yes, that you could achieve an awful lot with that amount of money. I think we asked KPMG to model what a \$250 million investment a year looks like and I think they came back with over 10 years a \$6 billion benefit to the GDP. So we think largely that's right. But, again, without more work to actually understand what needs to be done it'd probably be quite early for us to call that.

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MS CHESTER: Do you have a view on how that mitigation funding should be allocated, I guess, firstly, across states and then when it's being allocated within a state jurisdiction?

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MR BONE: I think when we look at states we obviously see the largest risk in Queensland. I think you had some figures within the report that showed by 2050 that that risk in Queensland particularly expands exponentially. We think that ultimately there is a large group of Australians there that are exposed to natural perils and there is more that could be done, a lot more that could be done, into the future there. Ben, did you have - - -

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MR HONAN: It's sort of almost two approaches which the report suggested per capita approach, whereas obviously at a national level it might make more sense to prioritise funding towards more exposed regions, which would be Queensland in this case and then probably followed by New South Wales. How that prioritisation takes place does require some knowledge of what projects are available. So then that creates, I guess, a requirement on the Commonwealth to understand the differences between jurisdictions and the different ways they might approach mitigation projects. So certainly our preference is for every dollar spent to be in the best way possible. But obviously there's a few hops between the federal government and a local government project such as flood levy or a cyclone retrofit.

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MS CHESTER: One of the other issues that we identified in the report is when we were asking a state jurisdiction to match the Commonwealth Government's funding we're quite flexible about how that can be done. We have a bit of a triage. It'd be kind of nice that if individuals or householders were benefiting from that mitigation, that they might be the first port of call. We see insurers having a pretty important role to play there. It's a bit easier for a local council to say, "We're going to up your rates," if a council knows that after that mitigation effort is made there's going to be lower insurance premiums. So perhaps the householder, if they're insured, won't be out of pocket, which is clearly – that was a key lever, as we understand it, for Roma. Are there any impediments for that happening on a more comprehensive basis with insurers partnering with local government and identifying potential for those insurance premium reductions?

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MR BONE: There's probably two parts to that question. No is the initial response. There'd be no reason we couldn't do that as an industry more widely. I think naturally the market will adjust whenever risks are reduced, because ultimately it is a highly competitive market in Australia and we think
5 that the market view would lose competitive benefit by not responding to those reduced risks. If there was a larger call on insurers more broadly to support grant applications and the like for mitigation projects, you might run into capacity issues for us to be able to do that. Obviously the kind of people we have internally and insurers who are skilled in this, our actuaries, are
10 limited in number. There might be – you could foresee a point where if you set up a wider grant system and we had over 200 local councils coming to us saying, "Can you provide data on this?" that that might overwhelm us ultimately.

15 But we think if that were the case, then we'd work through the ICA to look at an appropriate way to actually manage that. But ultimately, we see it as an important role for us within the community to prove that where risk is mitigated, premiums will follow. Do you have anything to add to that, Ben?

20 **MR HONAN:** Just that we've been trying to draw that link clearly with the community through media initiatives and our work with government as well to provide that, I guess, faith that the things are quite closely linked to risk. But, otherwise, yes, the scale is the main - - -

25 **MR BONE:** The only block normally is the availability of data commonly and whether that data has been provided to some of the ways we ultimately collect it, which is, for example, through the National Flood Insurance Database, the ICA undertakes an awful a lot of work liaising with councils across the country to gather that data. We have, on occasion, noticed some
30 gaps where mitigation projects have been undertaken and insurers are largely unaware simply because the data – there either hasn't been a new flood study following that work or that flood data hasn't been made available. But that should be a relatively simple process to follow up on.

35 **MR COPPEL:** The role of information on hazards is very important. It's been identified in our report and many reports, not just the collection of information but also accessibility of the information. One of our recommendations recognises the great progress that's been made, but also draws out the accessibility to some of the information that could be useful in
40 terms of treating risks is not accessible. We're proposing that one of the proposals is that there be greater cooperation between levels of government with insurers to enable greater awareness of the risks through better information provision. Do you have any views on that particular recommendation?

45 **MR BONE:** I think we support that recommendation. I mean, up to a point there's a natural limit to where sharing some of our data becomes a

5 competitive issue, particularly when it comes to exactly how we do price certain elements within an insurance premium. Our claims data can be commercially sensitive as well. It's something that provides us with a competitive advantage in the market when it comes to selecting/analysing risk. But, ultimately, we still think there's a huge scope to be doing more work in that area, whether it be through the Insurance Council of Australia or more directly – and certainly I think we acknowledge the recommendation that peril risk information needs to be made more readily available to consumers.

10 We obviously have a tool that I think is referenced a few times in the report, the resilience rating tool that the insurance council is working on. But we think as insurers progress forward on the kind of information we present to consumers, we imagine peril risks will become part of that information in some way, shape or form. We were cautioned against regulating the provision of that information initially because we feel that the market will ultimately come up with a way – and insurers will – that provides us with a competitive advantage when we're speaking to consumers to provide that kind of peril risk rating naturally to them, because currently the best way for you to do that is through a conversation. We kind of acknowledge that in the future we think we should do better.

25 **MS CHESTER:** What's the way of taking that forward if it's not government requiring you to do it through legislative means? You could imagine from a consumer's perspective it would be kind of nice if it was done on a consistent basis. So if you had a peril hazard rating system 1 to 5 in your insurance renewal notice you kind of know what it means. Is that something that the insurance council should be taking forward? And should we set some feasible deadlines around that happening?

30 **MR BONE:** Yes, I think that's certainly an option. I think it's the best option for the insurance council to work out what that looks like to achieve consistency across members. I mean, I think we certainly acknowledge that consistency is necessary for consumers on some level. But I think we've seen with initiatives like the key fact sheet, you can reduce the ability for insurers to innovate with the information they provide to consumers without necessarily providing the best benefit when it comes to very strict regulation. I think we can also see that more widely in regards to general disclosure requirements. Some of those requirements don't always provide the best consumer outcomes. Ultimately, what they do provide currently can be legally appropriate but they can be difficult for consumers to understand. That's probably why our preference is that the industry works together to work out and set some guidelines on that basis and then comes back to implementing those guidelines. We think there's enough mechanisms in place within the insurance council and the members and possibly even the code of practice to make that happen.

5 **MR HONAN:** I would just add that that's quite closely linked to – hazard disclosure is quite closely linked to broader product disclosure which is part of the financial systems inquiry, and we do see that that will help to reset the disclosure framework and that the industry will be able to take that forward to offer consumers new ways of communicating, make better use of technology.

10 **MR BONE:** So it's disclosure and not personal advice as well as some of those other issues, is that the issue there? What are the impediments that - - -

15 **MR HONAN:** Obviously personal advice has caught up in part of the disclosure. We have seen it serving as a barrier for some types of disclosure, particularly around some insurers in the bushfire context where recently we tried to communicate the potential underinsurance as a result of building codes to customers in a letter. We ran up against the personal advice restrictions there. So they're completely linked to disclosure and personal advice.

20 **MS CHESTER:** Because that was one of the areas that we did recommend an – where we see that underinsurance is sometimes an information asymmetry where folk don't realise what the real replacement cost is where building codes have construction because they've gone up. We thought insurers would kind of know that at a generic level. It may not be explicit to that individual, but roughly, four-bedroom house, two bathroom. So is that
25 the impediment for you providing that advice on a regular basis to premium holders?

30 **MR BONE:** It certainly one of the impediments when it comes to underinsurance. I mean, there's a natural feeling from consumers as well that any time an insurer says, "You probably need to increase your sum insured as well," we know that about 25 per cent of people will actually reduce their sum insured on that basis. There's a lot of complex interactions that happen whenever we directly contact consumers that could partly be helped by an easier advice model. Certainly I know, more broadly, that's the industry's
35 position as well. But there's a number of complexities in even understanding what the possible rebuilding cost is on any occasion. That will mean getting the sum insured right all the time is going to be significantly difficult anyway and there'll be just natural barriers to that.

40 I mean, certainly that's partly the reason we offer total replacement policies as part of AAMI's home insurance there. But, again, you can get a complex consumer response to that where they feel they then don't understand necessarily the level of insurance they're purchasing and some consumers will actually prefer to at least have a set limit there. Because I
45 know some of the consumer advocates have certainly recommended in the past that we move to this complete replacement policy or total replacement policy as a set. But we don't necessarily think that is appropriate both for

that reason and also because of the wider reasons uncovered in the New Zealand experience where they had complete replacement and that caused such a massive draw on insurers that you got to a risk of collapse ultimately.

5 **MR COPPEL:** In the hearing yesterday in Sydney there were a few participants who obviously welcomed the greater granularity of information as a way in which to be better informed on how to treat risk. But they also called, from an insurance perspective, to have contestability because often a source of that information was coming from an insurance provider. It may be
10 that if you do X, Y, Z, this will have an impact on your premium in such a way and sort of the lack of contestability of that information may be one of the barriers leading to the response that you just mentioned when you bring that to the attention of a premium holder. Do you have any views on sort of the broader issue of contestability of information that you bring to parties,
15 feasibility necessary; is it an issue?

MR BONE: I think on an informal basis it's certainly possible to do that anyway. I mean, you can ring us up and say, "This information doesn't quite seem right," and often we can go through and check whether that information
20 is right. It particularly happens in regards to flood. In terms of being able to do that on a more formal basis, we think that would be a very costly exercise. Obviously part of the scale we achieve and the way we're able to offer those premiums is through having an appropriate pricing engine that goes through and scours this data and based on a whole range of places we get that data,
25 including our own claims data. To be able to contest each element of that would just be quite a large administration cost if it was regularly undertaken. That could be done but it would be passed on to consumers as well. I'm not sure there would be an inherent value in that. And I'm probably not exactly seeing the link between the contestability and underinsurance either.
30

MR COPPEL: I think that's a questioning of the robustness of the information that leads to particular pricing of a premium and a sense that if they took a particular measure to lower that risk, how that would bear on their premium. There may be a dichotomy between how that is interpreted
35 from an insurer's perspective and how that is seen from the premium holder's perspective.

MR HONAN: I think the classic example is that we charge the chief researcher at the James Cook University quite a lot for his home insurance because we view it as a cyclone risk even though it's been retrofitted quite extensively because we don't have a capacity to assess his individual house. We have to make assumptions at a national level that increasingly become individual. So there are some circumstances where an individual can take a mitigation step that improves their risk that isn't immediately reflected on
40 their insurance premium, which is that mismatch that we're talking about. So there's two steps, I guess.
45

5 The first is you can shop around to an insurer that does accept your view
of risk or has a better alignment with your view of risk. Or you can go back
to the original insurer and convince them of a lower level of risk. That's
relatively easy to do through a broker's channel because their broker is a
10 trusted source of risk assessment. In the direct channel it's a bit difficult for
us to find trusted sources of information, which it comes back to the data
sharing point. In our supplementary submission I highlighted the form 21
data from local council that actually certifies cyclone resilience. That's an
example of data that's held that if it was organised in a way that could be
15 easily communicated through databases, then we'd be able to pick that up
and integrate it at a national level rather than on a one-to-one basis.

MR BONE: Certainly we think the future does involve us better pricing, all
15 insurers better pricing resilience measures. I mean, ultimately, that will be a
competitive advantage to all of us when it comes to risk selection,
particularly as prices, as you've said, are becoming more and more granular
on an individual property basis. As Ben said, we can do that on an individual
kind of ad hoc basis.

20 But, ultimately, where we want to go – and we're sure our competitors
do as well – is have an appropriate system that allows you to price in that
way while also not introducing I think the kind of moral hazard you can get
where you can't confirm whether those actions have been undertaken or not,
which I think is why they mentioned that data is so important. Certainly, I
25 think there's some examples overseas, particularly in some of the cyclone-
rich areas, where the government and insurers have come together to work
out an appropriate resilience scheme, an appropriate inspection scheme off
the back of that. That's translated into reduced premiums. We certainly
don't see any reason why in the future a similar scheme couldn't be
30 undertaken in Australia.

MR COPPEL: Thank you.

35 **MS CHESTER:** That's great. Thank you very much and thanks for
coming along this afternoon.

40 I'd like to welcome our last participant for this afternoon's public
hearings, a representative from the company EYEfi, who we're just trying to
find. If I could just ask you to each respectively state your name and the
organisation/firm that you're representing just for the purpose of our
transcript recording.

45 **MR LANGDON:** Yes. I'm Simon Langdon, the founder and managing
director of EYEfi Pty Ltd in Victoria.

MR ESPLIN: Bruce Esplin, I'm expert advisor to both EYEfi and to Telstra
on public safety and telecommunications.

MR CONSOLO: And Michael Consolo, senior business development executive with Telstra with a speciality in the public safety space.

5 **MS CHESTER:** The relationship between EYEfi and Telstra is?

MR CONSOLO: Telstra has productised the EYEfi solution. So we're marketing that as a prevention solution.

10 **MS CHESTER:** Thank you, that's helpful. Welcome, gentlemen, and thank you also for your initial submission to our inquiry and also the post-draft report submission that we've received as well. I'll hand over to you if you'd like to make some brief opening remarks but if you could limit those to no longer than sort of four or five minutes, that'd be appreciated.

15 **MR LANGDON:** Sure. I've actually assigned Bruce the task today to make an opening statement.

MS CHESTER: Bruce, over to you.

20 **MR ESPLIN:** No, as it is, I'll just jump right into it. I think both Telstra and EYEfi and certainly my own personal view through my history as Victoria's Emergency Services Commissioner for 10 years, including over Black Saturday, is that all Australians, regardless of where they live, should
25 be entitled to the same level of protection and risk management particularly of warnings and emergency information. So our thinking is predicated on a national approach to providing some of those solutions and a national approach to the application of technology rather than a state-by-state basis where some of the more difficult-positioned states might be unable to provide
30 the level of technology that other states can and should be doing.

It's also predicated on what certainly I've observed in looking at bushfires over 20-plus years in emergency management. That's a cyclical approach to risk management. I think traditionally people, states, territories, governments
35 have got very excited after very bad events and there's a great increase in effort to improve the ability to respond to the recovery and the rebuilding that's necessary for communities and to look at risk management. But then over time that sort of pales away again and we fall back into apathy and complacency. That is a very clear pattern right through Australia's history
40 with major disasters. I think it's time we moved away from that pattern and focused more on a consistent approach to risk management rather than just an approach that's predicated on a bad fire season to come or a bad cyclone season to come.

45 It's also I think very clear to us that the return on investment for money spent on mitigation or prevention is substantial. But the balance in expenditure from all levels of government is heavily focused towards responding to

5 events and then the necessary recovering and rebuilding that occurs subsequently. In my experience, I think the single missing factor has been that mitigation and prevention should be an all-year, every-year activity, not just a precursor to a bad year. I've seen for years that that's been the missing link. Prevention and mitigation will only work where it's applied consistently over a period of time. And I think that's been the missing link in both engaging communities, engaging the private sector, engaging critical infrastructure as a necessary partner in emergency management.

10 So our submission is certainly seeking to change that, to change that balance of expenditure. Our submission also looks at the leadership role that the Commonwealth can play in that space right through its chairmanship of some of the critical emergency management and resilience committees. But also, I think it's got a fairly powerful tool in the economics that applies to the situation. The other element I guess is that on behalf of Victoria I represented Victoria at the National Emergency Management Committee and was prosecuting the arguments for the development of a national approach to telephony-based emergency warning. I spent five or six years doing that and, I have to say, unsuccessfully. It only came about because of 173 people losing their lives on Black Saturday.

25 We now have that system but we have the opportunity to do so much more. What we very clearly believe – and whether it's Telstra or EYefi – is that there's an opportunity to use technology as an intelligence-gathering platform. With that intelligence you create a much more substantial situational awareness. With that situational awareness you've got – in the first case, you've got a very early identification potential for new fire starts, in which case you've got the opportunity to put them out before they grow to a level where they're uncontrollable.

30 You've got the opportunity for the emergency services and emergency managers to have far more situational awareness and then be better placed to make the right decisions to mitigate losses of life, losses of property, et cetera, and you've also got the opportunity to make far better use of the emergency alert system to provide high-quality warnings to the community. If we can take that opportunity to rebalance the amount of money that goes into prevention and mitigation, then I think we can make a very substantial difference and a difference that will generate a return on investment. So the more we can spend consistently on prevention and mitigation, the less we'll need to spend on responding, rebuilding and recovery.

45 The other element is the technology can be applied in some of the critical parts of the mitigation process, the prevention process. So take fuel reduction burning as an example, one of the challenges is the people who are undertaking the fuel reduction burning have to make sure a burn, once it's completed, is still safe before they can move on to the next burn. There's an application for technology in that space to actually monitor what's gone on so

that those limited resources can be applied to the next amount of burning so that the targets that everybody talks about in huge numbers of hectares can actually be met. So I think that's probably a five-minute snapshot.

5 **MS CHESTER:** Great. Thank you very much. I guess there's a lot of levers and a lot of weaponry in terms of how communities can be empowered to sort of manage disasters before they occur; and technology is clearly one of them. I guess in terms of folk allocating a limited pool of funds it comes down to what is the evidence around the economic benefits of that expenditure. With the product, the technology that your company offers, is there evidence of analysis that has been done on sort of how it might lower the economic costs of fire risk and fire hazards in communities?

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15 **MR LANGDON:** We have been involved in a number of trials, both the attorney-general's and Federal attorney-general's department ran a trial on smoke detection technology, which I might just point out is only one aspect of this technology. It's often confused that early detection or very early detection is about smoke detection but in actual fact, in our case, I think detection is one of the key properties or elements of our solution. So, that you can do the numbers quite quickly to say that 26 per cent of all fire starts in Victoria are actually generated from strike events, and that represents almost half of all hectares burned each year, and that's fairly - that's a national consistent number as well.

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25 We only have to look to recent examples such as the Aberfeldy fire where we did some analysis on that, and it's our analysis I will say, but we based that also on publicly available information, that we estimated that that was probably a \$100 million blaze. I think the government at the time said that the Harrietville fire was a \$40 million blaze, it's a similar sized event, much smaller.

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35 I think that the concept the Commission is dealing with here of reappropriating funds into early risk mitigation needs to go to the next stage where we say, all right, well, what sort of solutions can we put in place. I think that the Aberfeldy fire, where we had done some assessment work around where that technology would be placed in that situation, it speaks for itself in terms of the emission times reported and how long it actually took for that fire to be suppressed. So, once fires get a hold and they run, they become expensive events.

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45 It's difficult to pinpoint it down to an exact number but there is plenty of evidence to suggest that the first 30 minutes of a bushfire are critical, and the costs and response efforts in particular increase exponentially with time after that, and very early detection is a way of preventing it from running in the first place.

MR COPPEL: This is a technology that helps emergency response services design how they respond to an event once it's actually been triggered or has started, it's not a mitigation in the sense of a pre-disaster tool to support better disaster risk management before an event?

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MR LANGDON: It's a pre-disaster in the sense that most fire events today are reported through a number of different methods. The most obvious one is, for example, is the first sight of smoke, that's normally one of the first indicators. So, again, if I can just make a distinction between early detection and very early detection, in terms of lightning detection there is an opportunity there to make a visual verification of that event as soon as it occurs, in theory.

10

I guess it's leaning towards that real time and actually making - there's a lot of language that is bandied about about this stuff and technology, but I think that real time or near real time is where we've got to be to put an early intervention response in place to be able to mount a significant response to fire emission events.

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MR ESPLIN: Could I add to that too. I think the initial trials were very much as you suggested, they were to do with the initial response to a bushfire, but my personal view would be that there is probably a consideration, and an application hasn't been properly developed yet in a lot of people's thinking, to use it as part of mitigating the possible effects of bushfires.

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If you use it in fuel reduction burning programs, if you use it as a way of understanding landscape and understanding where burns should be placed rather than just haphazard, where's a good place to light a burn today, if there was a more strategic approach to burning being carried out, with each burn having a high value in terms of the outcomes that were anticipated. I think technologies such as EYEfi would have a major role in making that more cost effective, from my perspective, because at the moment it's incredibly labour intensive.

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If you could deploy either fixed installation cameras, or if you could deploy mobile cameras on towers then you could have a way of monitoring a burn that has dampened down and almost out to make sure it doesn't flare up when the wind flares up. And that unfortunately is the reality, there has been lives lost, there has been huge amounts of property destroyed by fuel reduction burns that have flared up 10 days later when the wind has changed. So I think there is an opportunity to use technology both in the response phase, but I think there's probably an even greater opportunity to use it as part of mitigation and prevention.

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Having that understanding of what is going on in those plots of bush will give the community confidence that they are being protected. When a

community has got confidence that it is being protected it starts to do things for itself to make sure it plays its part too and it doesn't just rely on the emergency services. And I think that build of confidence that information is being collected, intelligent situational awareness, and, equally importantly, shared with the community, that is what will make the different in building resilient communities. Where a community feels shut out of information is where outrage occurs and where problems start to crop up.

MS CHESTER: The technology you are using, is there any other providers of that technology in Australia, or is EYEfi-unique?

MR LANGDON: The only one in Australia that is Australian technology. And, again, I'll put a circle around, if you like what it is we do. I mean this technology has a specific role to play as part of a suite of detection technologies. So, there's the fire tower network, there's satellites, there's, you know, other fire spotters in the public, and these are all used to determine where fire events are.

MS CHESTER: Who is sort of your target client group?

MR LANGDON: Government.

MS CHESTER: Government, okay.

MR LANGDON: Yes. Government and emergency services organisations.

MS CHESTER: What sort of market penetration do you find you've got at the moment?

MR LANGDON: In Australia, not much.

MS CHESTER: And why is that?

MR LANGDON: We have faced I guess several challenges along our journey. We started developing the technology proactively back in 2006/2007, we now have patents on the technology globally and we have traction elsewhere. But in Australia I guess there's been a - particularly in Victoria if I might say, there has just been several challenges as far as the fire agencies culture and resistance to change technology, things like that are always going to be difficult, particularly in the emergency services industry where it just seems to be that there can be a "not invented here" mentality as well.

There's a lot of those sort of challenges that we have faced but I've got to say really, by and large, the capital, available capital, the budget to actually invest in it and use it because that's - time and time again we have had people nodding their heads and saying, look, this just makes sense but at the end of

the day who is going to pay for it. So, that's why we were so excited about the work that the commission is doing and looking at reappropriating funds down into the States and having them actually invest in this mitigation technologies.

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MS CHESTER: So, just to give us a sense of order of magnitude, how much would it cost to roll out this technology across Victoria?

10 **MR LANGDON:** After the Victorian Bushfire Royal Commission we did a couple of things. One was to work with Telstra to identify where their tower assets were across the State. We overlaid that with the 51 high fire danger risk communities identified by the commission, and also the available network, and then we looked at those communities and how we would actually protect them with this technology, and we arrived at about 120 sites
15 to cover those 51 communities across Victoria.

20 The public number which I can state, and these are not commercial-in-confidence, the public number that was put on record was \$5 million a year roughly for those 120 sites. And Telstra has put that number out there, as have we. That's the sort of order of magnitude we're talking about. So, in the scheme of things it's a relatively affordable technology that is available today and we kind of struggle to see how that hasn't been adopted.

25 **MR ESPLIN:** That's a managed service approach which I think is probably a good way of future proofing. In the past I think emergency services have frequently developed and built their own technologies and their own systems and, unfortunately, they have become out of date fairly quickly.

30 **MR LANGDON:** Well, they do (indistinct).

MR ESPLIN: It makes good economics to do it as a managed service so that you're future proofing it and there is an incentive for both Telstra and EYefi to keep the product developing and evolving as new iterations of
35 technology occur.

40 Going back to one of your earlier questions, the challenge has always been - and it was the same challenge with using telephony for emergency warning - a number of the States and Territories wanted to do their own thing, one in fact did, while the rest of the States had agreed to use a national system. I think we have got to a point where we're not big enough, we don't have enough money, our economics of States and Territories are not all that healthy all that time, we can't afford to go off and do our own thing.

45 I think the Australian public has got a right to expect the same degree of warning wherever they are and it shouldn't be determined by State boundaries, and so I think that's a challenge. And that's a role that we believe

the Commonwealth can play, a leadership role, and use the funding levers that it has to generate a national approach to some of these issues that just beg a national approach, they shouldn't be dealt with on a State by State basis.

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MS CHESTER: What you guys are looking for from this inquiry is the Commonwealth basically funding out the national rollout of this technology across all State and Territory jurisdictions?

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MR ESPLIN: Emergency alert was a shared funding model between the States and the Commonwealth, and that makes good sense, so that there is ownership on both parts. But it's not just the funding, it's a leadership role to drive a national approach rather than just let States and Territories, or require States and Territories to go off and do their own thing.

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MS CHESTER: Okay. And you have obviously discussed with A-Gs given they are kind of in the driver's seat at the Federal government level?

MR ESPLIN: We have, yes.

20

MS CHESTER: What is their view on it?

MR LANGDON: What is their view? I'd say at the moment their view is really - we tend to always end up circling back to the fact that the States, currently as it sits, are responsible for implementing these sorts of programs, deploying - procuring and deploying technology. So, there is never any shortage of interest at the Federal level but, again, it's translating that into actual tangible outcomes. And, at the end of the day, currently the way - and we have pointed this out in our submission, but I think Bruce mentioned it then, about this Federal levy and a joint funding model to drive that forward. And then I think that the individual States can go about their procurement, their competitive processes, and we'd be glad to be involved in those. But I think that, at the end of the day, we need that joint approach so it doesn't get pushed from pillar to post, Bruce, as EA did for too many years.

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MR ESPLIN: Yes, there's that. And I think another element is too that this is a monkey for a public/private partnership, I would expect that Telstra and EYEFi would be contributors to this model if they were to be successfully asked to commission something. And I think the reality is the big events that confront Australia now are beyond the capacity of just the emergency services alone to manage, it needs a partnership with the community.

40

But more than ever it needs a partnership with critical parts of the private sector in communications, Telstra and the other carriers. If they're not part of the equation then we are not using what exists already, let alone what is on the horizon in terms of technology to maximum impact to reduce the costs, because the costs are just outrageous at the moment for responding to,

45

recovering and rebuilding communities after events, that if we had moved that balance of mitigation and prevention a bit earlier, I think we'd be seeing a return on investment right now.

5 **MS CHESTER:** Bruce, sorry, you did mention what you thought was a precedent or a similar scheme?

10 **MR ESPLIN:** Well, Emergency Alert, which is a telephony-based warning system, was funded as a partnership between the Commonwealth and the States and Territories. So, I think in essence the Commonwealth funded the upfront capital costs and the States were responsible for the operational ongoing costs. I think that makes a good model.

15 **MR COPPEL:** Is there any interest among private businesses to the extent that they can get early information on a natural disaster which may affect the value of their assets, you mentioned earlier that the principal target was government, but is there interest, and particularly to the extent that there would be value in paying for that information?

20 **MR LANGDON:** There are lots of interest in our technology from all sorts of different areas. But, again, just in relation to the bushfire solution that we have here on the table, obviously it is focused on government as the primary user. But, in reality, I mean we've had discussions with forestry, we've had discussions with insurance groups.

25 **MR ESPLIN:** Mining.

30 **MR LANGDON:** Yes, mining, resources, and the Defence. I mean I've had discussions with Defence about this sort of capability, albeit with some different products and some slightly different technology, but the same core technology that we have developed at EYEfi. Our smart phone application has got a lot of interest at the moment in terms of it is enabling this sort of spatial targeting and incident intelligence gathering capability, enabling people out in the field with that sort of capability, and also the community, 35 the larger community and our digital natives, so to speak. Through social media, through all sorts of different channels, we have got a lot of traction, a lot of positive discussions.

40 But with reference to this submission and the actual bushfire detection side of it, that is where we have continued to struggle, mainly for budgetary reasons.

45 **MR ESPLIN:** There is an application across all other levels of government too, so it's not just confined to an emergency situation. But the fisheries for example, poaching and all sorts of applications lend themselves. So, I think once hazard management for mines and for fisheries and for other places, as there are a range of ways that this would provide quite a significant - it would

have a very significant legacy value and it's not just solely emergency management.

5 I think that's the attractiveness, it's certainly why I am still involved. It's one of the few things I've stayed involved in since I resigned as commissioner, because I believe that if we can use technology better we can save lives, we can save property and we can save money by just reducing the impact of disasters on communities and our critical infrastructures.

10 **MR COPPEL:** Is it useable for floods?

15 **MR LANGDON:** Yes, it is useable for floods. There's really no incident - no sorts of emergency events that you wouldn't be able to use it, in actual fact it cuts across ground, air, sea applications. Bruce mentioned the marine protected areas application briefly, we have looked at opportunities with Parks Victoria and DEPI here in Victoria to tackle the problem of illegal vessels in marine protected areas, and in actual fact we have quite strong agency support for that and we are progressing that particular location.

20 There's lots of different uses for it, certainly for floods where the assets are on vehicles or maybe airborne or on towers as well.

25 The earlier trial that we did, the R&D trial that we did back in 2008 where we had cameras up in the Yarra Valley, of which Bruce in his role as emergency services commissioner at the time, actually supported this pilot, the cameras that were in place on Black Saturday.

30 We actually used those off-season in the following year with Melbourne Water, who were one of the stakeholders in that pilot program, to monitor flood levels in the Yarra Valley because one of the cameras had a particular vantage on certain sections of the Yarra Valley and we did some testing, using the camera to actually draw the polygon, the envelope that would then feed into systems like Emergency Alert or fire or flood modelling software. That's the other thing I think Bruce was touching on before, that it's not just
35 the immediate user but it's also programs and processes and systems like Emergency Alert where this can add value.

40 I think these days it is important to make sure that an investment in this technology has a role to play both before, during and after an event, and also all year round, so it really should be a tool that can be used in a whole lot of different scenarios. And, yes, so floods is a perfect one.

45 **MR ESPLIN:** I think it could be used in plume modelling for hazardous materials events too. It really is determined by what smarts you put with the camera, you can put all sorts of other elements there.

MR LANGDON: Different plug-ins, yes.

5 **MR ESPLIN:** Different analytical plug-ins, and you could monitor what particular particulates. So, I mean it probably would have had an application at Hazelwood for example. It definitely would have had an application in the floods in Gippsland four or five years ago where all the stream gauges were swept away in the initial inundation, so there was no intelligence gathering capacity and the town of Newry ended up flooded with no warning. In a sense it was good fortune that no lives were lost, rather than good management in that case, but the people who were relying on warnings weren't aware that all the stream gauges had been swept away.

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15 Technology such as this that can be placed in a position well away from that inundation would still have been able to provide warning. But, again, that is focused in the response side of it. But there are so many opportunities to deploy this in a way that will reduce the costs that governments collectively end up paying to rebuild, recover, sort out class actions. But the power industry is probably another really good example of where it could have a very good application.

20 **MR COPPEL:** Thank you very much.

25 **MS CHESTER:** Thank you very much, we do appreciate it. It's been a frank exchange this afternoon but it's certainly helped us get a better understanding of the role of this technology as sort of a mitigation option going forward. So, thank you for your time.

30 **MR COPPEL:** Ladies and gentlemen, that concludes today's scheduled proceedings. For the record, is there anyone else who wants to appear before the commission this afternoon?

 I adjourn these proceedings and the Commission will resume on Thursday, in Townsville. Thank you.

35 **MS CHESTER:** Thanks.

40 **MATTER ADJOURNED AT 1740 UNTIL THURSDAY, 30 OCTOBER 2014**