



Australian Government
Productivity Commission

PRODUCTIVITY COMMISSION

**INQUIRY INTO NATURAL DISASTER
FUNDING ARRANGEMENTS**

MS K CHESTER, Commissioner
MR J COPPEL, Commissioner

TRANSCRIPT OF PROCEEDINGS

**AT RYDGES HOTEL, TOWNSVILLE ON
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MS CHESTER: Good morning, and welcome to the hearings for the Productivity Commission Inquiry into Natural Disaster Funding Arrangements. My name is Karen Chester and I'm one of the Commissioners on the Inquiry. I'm joined by my Commissioner colleague, Jonathan Coppel. As most of you would know, we started our inquiry in late April this year when we received a reference from the Commonwealth Government. That reference asked us to look at the full scope of the current Commonwealth, state and territory expenditure on natural disaster mitigation, resilience and recovery. We released an issues paper in May and we've been receiving submissions since then. Some 120 submissions were received from organisations like your own before we issued our draft report.

We've benefited from meeting with and talking with a range of organisations, over 120 to date, with an interest in issues, and we held roundtables in Brisbane. Many of you have participated in our roundtables, in our meetings and we've received submissions for you. For that I say thank you very much on behalf of the Commission. We released our draft report in September and since then we've received a further 80 submissions in response to the draft report giving us frank and fearless feedback on our draft recommendations.

So we are very grateful to organisations and individuals that have taken the time to prepare those submissions, to appear at those meetings. I'd also like to just take this opportunity to mention our appreciation to your association, the Local Government Association of Queensland, who's been incredibly helpful in arranging the Brisbane roundtable and also for suggesting that we actually hold the public hearings today, which was convenient for some of you after a conference in Mackay the last few days.

The purpose of our hearings is really to facilitate public scrutiny and to get feedback on our work. On Monday the Commission held a public hearing in Sydney, followed by a hearing in Melbourne on Tuesday. Following our hearing today in Townsville, we'll be having our final hearing in Brisbane tomorrow. We'll then be working long and hard towards completing a final report, having considered all the evidence presented at the hearings and in the post-draft report submissions, as well as other informal discussions we're having with folk like yourselves.

The final report will be sent to the Australian Government in December. Now, for participants and those who have registered their interest in this Inquiry, you'll be advised of the final report's release date by the government, which may be up to 25 parliamentary sitting days after its completion under our Act.

In terms of how we like to conduct our hearings, we try to do them in a reasonably informal manner. But I do remind participants that a full transcript is being taken this morning. For this reason, we can't take comments from the floor. But at the end of today's proceedings, if there is somebody who has a burning desire to be heard, we'll allow that to occur as well.

Participants are not required to take an oath but they are required under our Act just to be truthful in their remarks. You are also welcomed to comment on the submissions and issues raised by other stakeholders in this Inquiry. The transcript from today's public hearing will also be made available through our website but also to participants who participated formally in the public hearing today. For any media representatives attending today, there are some ground rules that apply. If you could please see one of our staff to know what those ground rules are. We do allow filming just of these opening remarks but the camera crew will not be here after that.

(Housekeeping matters)

For the participants that are appearing today at our public hearing, you are invited to make some opening remarks, but we do ask that you try to limit those to no more than five minutes. We have read your submissions and we do want to allow time for us to ask some questions to make sure that we really understand your position and your views. So keeping your opening remarks brief will allow us to do that. I'd now like to welcome the Douglas Shire Council to join us.

Welcome and good morning, and thanks very much for joining us today. Thank you also for the submission that you provided to us post our draft report. I do want to thank you for the submission that we received from you post the release of our draft report. I do apologise for the angle here today, but we're in a slightly smaller room than we were hoping to get. The main purpose was actually to be in Townsville today, so we'll deal with the room as best we can. But if you could just state your name and organisation that you're representing for the purposes of the transcript record. Then if you'd like to make some brief opening remarks.

CR LEU: Thank you very much. Good morning. As I've already said, my name is Julia Leu, Mayor of Douglas Shire Council. Beside me is our CEO, Ms Linda Cardew. Thank you for the opportunity to present at this hearing as this is a matter of grave importance not just to Douglas but our entire region. As you can see from the number of mayors, CEO, senior staff and others in this room, we've taken the opportunity following our Mackay annual conference earlier this week.

I will say upfront that if the Commonwealth's contribution is reduced to 50 per cent from the existing 75 per cent, the result will be catastrophic for many Queensland communities, including ours. It will be a further disaster on top of the actual natural disasters. The stark reality is that unless the state can pick up the tab, which is highly unlikely, there is no capacity for local government to fund. We cannot raise rates to the extent that would be required, which is totally out of the question. The result will be damaged roads, bridges, public infrastructure that will take years, if ever, to repair. The resultant economic and social effects will be catastrophic, particularly for small, rural and remote communities.

Our submission covers five key themes: the financial sustainability of Douglas Shire Council; the use of day labour; insurance for roads; road asset conditions; risk mitigation; as well as obviously a significant sort of dissections and conclusion statement. We've also included photographic evidence of the impacts from the recent Cyclone Ita, which did have an impact on our shire and which resulted in us at this stage claiming \$14 million.

Another key point is that the Commonwealth and the state government are wanting to develop northern Australia. If the roads are so badly damaged and the infrastructure cannot be replaced, there will be no growth of the kind contemplated by the levels of government. I'll just make a few brief comments about those themes and also a little bit about Douglas Shire Council. We've got an area of two and a half thousand square kilometres. Our local economy is based largely on tourism and agriculture. Unlike many sort of outback towns where the main road network is managed and maintained by the Queensland state Government, the rural and remote communities within our shire are almost entirely reliant on 373 kilometres of local road network for which the Douglas Shire Council is responsible.

Much of the Douglas Shire receives four metres of rain per year, with 300 to 400 millimetres in a day not uncommon. Extreme weather events, monsoonal flooding, tropical cyclones cause landslips and significant damage to roads, bridges, causeways, culverts and essential infrastructure, isolating communities, preventing access and creating significant economic loss as a result of the impacts on our rural agriculture and the tourism industry. Douglas Shire Council is a new council. It de-amalgamated from Cairns Regional Council on 1 January this year. We have a general rate base of 13.1 million, 9285 ratepayers and an annual budget of \$38.7 million.

5 This year we've experienced two declared disaster events, resulting in damage currently assessed at more than \$14 million. It's expected that this cost will increase when actual market rates are applied. It is critical that the council has the financial capacity to restore its essential public assets to the standard required to enable the community to function adequately and to the standard expected of local government as the asset owner. The do-nothing approach to the restoration of assets following a disaster event is not a feasible or responsible position to take.

10 It is important to note the council bears an additional financial impost regarding the restoration of assets located within the Wet Tropics World Heritage Area. Costs are increasingly substantial as a result of the environmental and road maintenance codes applicable to the Wet Tropics. The restoration of bridges and unsealed roads is not as straightforward in a
15 World Heritage-listed area as it may be in other parts of the state. The funding reforms proposed by the Productivity Commission will impact significantly on council's financial sustainability. If adopted, we simply will not be able to meet the cost of the restoration of our essential public infrastructure on an ongoing basis.

20 In just a few years the compounding effect of a 25 per cent shortfall in restoration costs per disaster event will be unmanageable for Douglas. We have no prospect of raising adequate own-source revenue from our limited ratepayer base where the average income is lower than the state average and the unemployment is higher than the state average. Further, in the
25 event of a major disaster such as Cyclone Larry and Yasi, communities are frequently left with no resources and no income. Again, raising rates in such circumstances is completely unfeasible.

30 In 2014, this year, we have already expended \$728,104.42 in meeting the cost of emergent works and managing the cash flow until such time as the costs are wholly or partially refunded. Council has spent several hundred thousand dollars of its own revenue in meeting other disaster costs, including the trigger points for two declared events, and it is
35 continuing to fund additional works that are not covered by NDRRA such as multiple sewer system collapses, cleaning and reactivating water intakes, works on ineligible assets such as boat ramps and the roads around the boat ramps, and the restoration of parks, public spaces, recreational walking and cycling tracks.

40 If the proposal to increase the threshold for a disaster event from 240,000 to 2 million is accepted, the consequences over time will be ruinous if extreme weather events do not meet this threshold. Douglas has insufficient cash reserves to meet this cost and maintain an appropriate
45 level of reserves for the conduct of its day-to-day business. If it could

obtain loan borrowings to meet this cost for the first event, it would be difficult, if not impossible, to obtain and repay additional loans required by further disaster events. I'll now go on to a little bit about day labour, which is a very important issue for all of us.

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MS CHESTER: Could I just maybe suggest there, Julia – and thank you for those opening remarks. We are trying to keep it to five minutes.

CR LEU: Yes, I understand that.

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MS CHESTER: We will get into the issue of day labour and we have read your submissions. So if it's okay with you, maybe we could dive into some questions?

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CR LEU: Yes, that's no problem.

MS CHESTER: Thanks very much. I think one of the key issues around the impact of the funding arrangements on local government and local council is around the small disaster criteria. That's an area where we want to get some more feedback in terms of what's the appropriate level. What we're trying to do there is really distinguish between what's kind of like a routine weather event and what's really a natural disaster event in terms of what is eligible expenditure under the funding arrangements. In that sense, it'd be good to get feedback from yourselves if we were to move from the 240,000 to the \$2 million, which is event-specific – so it's not council-specific, it's event-specific – are there any events that have occurred in your area that would have been precluded historically from eligibility for the funding arrangements?

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CR LEU: Look, yes, I would say that nearly all of them would have been excluded. As I've said earlier in my remarks, we have a number of what we call monsoonal events in any cyclone season. We have the data, of course, for Douglas Shire Council from 1 January. Other data at the moment in terms of previous events over the last six years are sort of captured within probably the Cairns Regional Council submission. We have tried to follow that prior to submitting our own submission.

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We've got a long history of cyclonic events, big landslips. Sometimes there doesn't even have to be much rain. There's a whole lot of factors that go into all sorts of things that cause access to be prevented. I mean, north of our Daintree River we have only an access via a ferry. On many occasions the ferry then can be damaged, it's out of action. Then people literally are stuck either side. It affects significantly our tourism industry. That certainly happens on a regular basis. Linda, CEO, may want to make a few comments in relation to your question.

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MS CHESTER: Thank you.

5 **MS CARDEW:** It's okay. I'm happy to answer your question. I think Julia's covered it.

10 **MS CHESTER:** I guess we're very conscious the location of your council is such that what's a routine weather event for your area is very different to a routine weather event in southern areas of Australia. And it is subjective. But getting the divide between what's a natural disaster, what really knocks around a community and a council versus what's a weather event that's just a function of your location. So it'd be good to try to get your idea of where that line in the sand is.

15 **MS CARDEW:** Perhaps if I may, Commissioner. Council budgets for and expects routine weather events which will include significant rainfall, strong winds, certainly events that cause some discomfort to the community. The community is commonly aware of flooding over roads, the impassibility of roads. An extreme weather event is one that causes
20 significant and immediate impact on the ability of the community to function over a period of time. It may be a few days; it may be a few weeks. So the example that the mayor just gave, for instance, with the ferry, the ferry is the only means of transport to go north to the communities north of the Daintree River. A significant event would
25 include the silting up of the river overnight, as happened with Ita. It would include damage to the roads or flooding of that river to the extent that the roads would be damaged so they're impassable.

30 The consequences in that case, which would distinguish it from a normal weather event, would be that the communities would be isolated for a period of time, whether it be one day, three days or, in the case of Ita, it was several days. You would look to that impact or that, I suppose, unexpected impact and the consequence in order to determine what is extreme and what is routine. So communities are very resilient. They
35 understand routine. They understand flooding. They understand creeks, local creeks swelling. But where there is damage to bridges, trees over the top of bridges, the inability of the community to function is what would make the distinguishing factor, I think.

40 **MS CHESTER:** I guess that's what we're trying to get a sense of, where do we draw the line in the sand. We've had evidence to suggest that 240,000 is too low and it's picking up some routine weather events. We came up with the recommendation of \$2 million because – draft
45 recommendations – we didn't have event level data from the states and territories when we did our draft report. So it'd be good to know – and

maybe not today, but if you could let us know, if we were to move to the \$2 million, what would you consider to have historically been a natural disaster that really knocked around your community and council's finances such that we've got the line in the sand wrong. And that's where we're sort of coming from with that one.

CR LEU: Thank you for that opportunity. We'll provide you with that information.

MS CHESTER: Thank you. On the issue of cost sharing, there's kind of two levels to the cost sharing. I just wanted to make sure that you're taking into account both levels of the cost sharing with your views on our recommendation to move from the 75 to the 50. So with the cost sharing, the principle that kind of underpins the cost-sharing rate is two things. Firstly, it's why should the Commonwealth Government be giving this money to the states? It's because it raises more revenue than state/territory jurisdictions. It's that sort of concept of vertical fiscal imbalance. If you look at that concept it suggests that 50 per cent is about right. So that's one cost-sharing mechanism.

The next cost-sharing mechanism is where after – so if we were to move from 75 to 50, so that additional 25 per cent is initially picked up by the Queensland state Government – there's another cost sharing with the other states. So, at the end of the day, Queensland is only ever paying 20 cents in the dollar between the 50 and the 75 per cent. Does that make sense? The other states will effectively support Queensland. They'll support you for 80 per cent. So by us reducing the 75 to the 50, I just didn't know if you were aware of that second round of cost sharing and whether that might - - -

CR LEU: It's an interesting thing that you're proposing. I suppose when – yes, being up in Queensland, we just feel that we sort of really contribute to the overall national wealth and certainly that we're entitled to have those contributions from the federal government from our taxes. We do feel that certainly this – particularly say the push for northern Australia development is seen as really important in our area – that certainly it's another reason why we think we should be able to have this contribution from the federal government.

MS CARDEW: If I could say, Commissioner, from council's perspective and from an administrative perspective, our real focus is on council's ability to meet the costs of restoration. I suppose one might say it doesn't matter as much to us. Speaking from Douglas perspective as to where precisely the money comes from, our focus is: will our essential assets be capable of being restored? Can this council afford to restore

those assets? The short answer is that if there is that reduction in funding from the Commonwealth and there is no commensurate increase in funding from the state, Douglas Shire Council will not – it cannot – afford to restore the assets that it needs. The consequences for that are set out in the submission. I think every council represented here would understand in exactly the same way. We have no capacity to raise the shortfall in funding ourselves. That’s as much as we can say. It’s impossible.

MR COPPEL: Over the period of the national disaster funding arrangements there have been changes to eligibility and to various aspects of those arrangements at the Commonwealth level. It seems as though your concern is that if these changes are implemented, they would feed through directly to local council. My question is, have you experienced in the past when there have been changes in the arrangements at the Commonwealth level that they have flown through directly to local councils or has there been a response at the state government level?

MS CARDEW: I think it’s very important to stress to the Commission that our experience as a council is based on 10 months of operation. So while I’d like to be able to address your question, we can’t legitimately provide a response because we don’t have that experience as Douglas Shire Council. So we certainly might have some anecdotal knowledge as to what’s happened, but I don’t feel confident in speaking with any authority because our experience is over the last 10 months only.

MS CHESTER: And the reason I raise the levels of cost sharing it’s because it’s quite important to understand that there’s further support that will be made available to the Queensland state Government from other states in terms of what would be the trickle-down impact on local government; it’s a bit different than those initial numbers might suggest.

MS CARDEW: I think, Commissioner, with respect, that would be a question for the state. It’s certainly not one that Douglas Shire Council can comment on. I just would reiterate the main point, and that is, that our budget, our approach to financial sustainability, the role that Douglas plays as a neighbour to the councils who are here in Far North Queensland, our keen desire to ensure that our communities are able to survive is what is of critical importance to this council and I know to our neighbouring councils. If those communities cannot survive, if our tourism industry cannot survive, and our agricultural industries fall away as the backbone of the fabric of our community, there will be no hope for the communities in our region. It will fall over. As the mayor has made the point, the economic development which is proposed by both levels of government for Far Northern Australia will be absolutely vulnerable to the lack of infrastructure and adequate infrastructure.

I think the situation that Douglas is in particularly is that Douglas is largely responsible for its own assets, unlike a number of other councils who rely very heavily on the input of the Department of Main Roads and Transport to maintain their major road networks, as is appropriate across Queensland. But Douglas Shire Council is in a particular position, as the mayor mentioned, in the Wet Tropics. We have an obligation at a Commonwealth level to play our part in the maintenance of the World Heritage Area. If we don't have adequate funding, wherever it comes from, if we don't have that funding, we will fail; that's the bottom line.

MS CHESTER: You raise the very important point around day labour and it did become a major part of our draft report. We heard loud and clear very good examples and submissions from local government, local councils on the cost-effectiveness of day labour for some communities. I guess that's kind of like symptomatic in a way of the prescriptiveness and oversight that's come from Canberra in terms of trying to contain the costs of the natural disaster funding arrangements. So really one of the key parts of our draft recommendations which we think is perhaps the most meaningful reform from a local council perspective is by moving away from this prescriptive reimbursement model to one that gives greater autonomy and flexibility in how the funds are spent.

But that does require, as I said, departure from the reimbursement model. It requires an upfront estimate, not immediately, but within a reasonable timeframe after a disaster event, of what those damages and costs are to the essential public assets of local council. It would be good to get your feedback on – so, for us, that's an important part of addressing issues like day labour and betterment. It would be good to get your feedback on firstly, if that's something that you're supportive of, but also, the feasibility of implementing that and what transitional time period might be required to put the requisite arrangements and costing and estimates and things in place.

MS CARDEW: Perhaps I can best respond in some ways by giving an example. Under the current arrangement we have two years to complete the restoration of our essential assets. The reality is that we have two six-month periods in which to do that work because of the wet and the dry season. This year our second declared event was Cyclone Ita in the middle of April, as you're aware. The following rains continued until approximately the middle of July. Some of our areas were not even accessible to do a damage assessment until August and September. And I think we've included a couple of photos that give you a good indication of that.

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While our dry period then started and while it continued, we were not only trying to gain access to the areas to do the assessment, we were preparing submissions and the evidence that was required. We then needed to go through a proper procurement process, quite appropriately.

5 While we were doing that we had the ability, if we had been able to, to utilise day labour to ensure that those communities were then prepared in terms of resilience for the oncoming wet season. We've lost not through really any delay on anybody's part but just through adhering to the process.

10 We've lost a large chunk of this construction period, this construction season, and we are now – well, we're two days from the start of this year's cyclone season and we haven't yet commenced work in a substantive way on the restoration of the assets that we needed to do following Ita. If we

15 had been able to mix and match a combination of day labour and contractors to get into those remote areas that we needed to secure with the communities' interest, number 1, we would have been able to deal with the works in a much, much more cost-effective way, we believe. We have people on the ground – and I know this is a common story across

20 many councils, but we have people on the ground who are able to go out with the assistance of contractors to do that work.

I think it's also important to understand from just a value-for-money perspective when we're looking at the work of councils across the board

25 that councils have to do other works during that six-month period. We have a capital works program. We have a maintenance schedule. Those works need to be carried out. It's artificial to create a line between those regular works, those scheduled works, those ineligible NDRRA works such as the mayor mentioned, repairing of recreational walks and

30 community facilities, boat ramps and so forth. It's artificial to separate that work from the work of the restoration.

I would just say – and I know that everybody feels – please let us use common sense in the way in which we allocate our resources in a remote

35 area in order to be able to get the work done. The community comes first. The council's finances and the government's value for money come second. We want to deliver value for money. But the artificial process that we're required to follow does not do that. So what we're facing now in Douglas is an impending wet season. We have taken a risk in using

40 some of our day labour upfront to secure the access to the communities. There is a photo in our submission of Levene's Gully. It shows a very deep, narrow chasm, if you like, which is the sole access for one of our remote indigenous communities. If we didn't get in there and fix that, as we have done over the last couple of weeks, that community may be

45 locked off, if it starts to rain now, for a period of months. We've had to

take that risk, which we do and we accept, but with the view that the community and the community resilience and their ability to function is something that a council has to meet first of all. And there are many other things that flow on from that.

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MS CHESTER: I guess that's what we're trying to achieve with those related recommendations, Linda. We're trying to allow greater autonomy at the coalface, for want of a better description, in how those moneys are spent. So if the Commonwealth were to have an assessment upfront – and I appreciate for some remote communities it might take a while longer to make that assessment if they're still under water – “Okay. Here's what we think the assessed damages are. Here's your Commonwealth money. Now go forth and spend it how you want to over what timeframe, using what day labour you want.” So that's what we're trying to achieve with those recommendations.

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MS CARDEW: I think if that was the case, based on what you've said, my understanding of what you said, I think that would be very workable. I think having that level of flexibility is absolutely critical because every local government area has its own peculiarities. Ours happens to be that part of it is remote; part of it is in the World Heritage listed area. Part of it is that we simply don't have immediate access to all the resources that we need in terms of plant and equipment, ability to mobilise those contractors, ability to undertake scheduled works within a very limited period. I guess as we go into this wet season we will be looking at potentially next March or April or possibly May or June until we're able to start works in the 2015 calendar year.

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That means then that we have only that limited period, more or less, and in that period we have to undertake 14, 15, 16 million, whatever the quantum of works actually is; we have to complete that. We have to complete our scheduled maintenance, we have to complete our capital works program. And that is to maintain a level of operational sustainability within the community. So two years is not the case. Six months, two periods of six months, less than six months, it is all – for us up in the north it's governed by the seasons and the rain.

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MS CHESTER: So the key thing really then is to make sure we've got flexibility in the timeframes that might be required for that assessment to occur and not be so concerned about what timeframe you have to actually then implement the works in a cost-effective way.

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MS CARDEW: I think that's part of it, but it's our ability to mix and match day labour and contractors. In some of our areas we need to establish bush camps. Contractors can't even go back to a base, or it is

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very difficult to go back to a base, at the end of the day. They have to bring their toilets, their tents, their cooking gear and everything. If we have an engineering consultancy coupled with contractors who go to site A and at the same time the only common sense way is to have council day labour accompanying them because the contractors from down south don't understand what the local conditions may be – we might have day labour – day labour staff maybe they're able to undertake their own work at the same time – and you can see the efficiencies that would be gained by housing people together, having people work together, sharing that knowledge, sharing the local knowledge.

MS CHESTER: There's another area of our report that focuses on some recommendations that we think are important for local government. That is around land use planning. It'd be good to get your feedback on those. I guess our objectives there are few. Firstly, when state government is setting state planning policies to sort of articulate or say very clearly, "What is the natural disaster risk that we're allowing within those state planning policies?" and then making sure that councils have sufficient resources to then implement those planning policies at the local level. Did you have any feedback that you wanted to give us on the land use planning recommendations that we have?

MS CARDEW: One of the things that I would say is that Douglas has a great shortage of reliable data in terms of flood mapping. I think that probably is the most critical element for us. We have coastal communities and we are subject to both flooding because of the major rivers and also potentially storm surge. So support in being able to advance the preparation of those studies would be very much welcomed. We are trying – again, I make the point that we are a new council. But we are trying in our more remote areas such as around the Daintree River to be able to get accurate data. I guess also along the coastal communities, we have a lot of areas on our beach communities that are not at this time aware of the scope of the flooding that can potentially occur because it hasn't been documented fully. There is some flood mapping, but I think that's most important.

MS CHESTER: Two issues there that may be relevant to your area. That is, firstly, that we have some evidence that there was a change or removal by state government of the state planning policies in relation to storm surge. Good to know if that impacts your community and how you can make sort of land use planning decisions at the ground level. Maybe if I could ask you that one first.

MS CARDEW: My understanding is – and I may be incorrect here – but the state government has removed the data, any quantitative data, in

relation to the potential size of sea level increases. Probably others in this audience would have a lot better knowledge than I do of it. But I do understand that is a real issue for councils because we have a level of liability in terms of our planning responsibilities to be able to still identify sea level rises. That doesn't specifically address your storm surge question. I don't have enough knowledge to be able to answer that.

MS CHESTER: I think you are right, it is the sea level rise issue that's come through in the evidence. You also then raised a very important issue around liability. We had a couple of draft recommendations to try to address that issue, one of them specific to Queensland. It's around the injuries affectation section clauses in the state legislation and whether that impacts local councils being able to make the tough decisions that they feel they might need to make. So it would be good to get your feedback on those changes and whether you think that they go far enough and also, I think, state government providing greater guidance to local government on what really is their position of legal liability when it comes to making decisions and releasing hazard information to their communities.

MS CARDEW: I'm going to pass on the first part of the question because I don't have enough knowledge on it. I do think in relation to the second part of your question with regard to state information, that would be absolutely welcomed. Council needs to be able to plan for the management of its liabilities, to undertake insurance where it can or to carry insurance, obviously, where it can. Councils are obliged to insure extensively, as you're aware, and anything which the state can offer in terms of information which would allow us to mitigate the risk would clearly – any risks – would clearly then – well, potentially, I suppose, reduce the cost of insuring those risks or taking action to mitigate those risks. So the sharing of information would be very welcomed.

MR COPPEL: I'd just like to make one final question. Your submission on the draft report – and many other local councils made the point – that the application for funds from the state government was not always fully coming through. My question is to understand what the source of that is. Is it the complexity of the application that leads to differences in views as to what's eligible or are there other factors involved?

MS CARDEW: The first point I would make is that I don't recall making the statement that the funds weren't coming through. From Douglas Shire Council's perspective, we have found the process a very complex process. We've made a public statement and I'm very aware that the CEO of QRA is sitting here right in front of me. So we found the process to be very complex. But I'd like to put this in context. Douglas Shire Council, again, as I've mentioned, is new to the entire process. For

us, it was an experience of Cyclone 101 and I was very grateful as CEO that we were not confronted with a category 4 or a category 5. We had a very steep learning curve ahead of us. So, as Mr Carroll is aware, and his predecessor at QRA, we've taken the approach that is an approach which is conservative, which is structured. We spent quite a bit of time while it was still raining after the event, determining what other councils had done. We spoke to a range of engineering consultancies, all of whom had been involved in NDRRA work, and we spoke to other councils.

Because what we found was that there was a change in - our perception I should say, was that there was a change in policy position, that it was difficult to determine accurate information, it was a story that was repeated to us on many occasions by those others with whom we had spoken. The process itself changed midstream; there were a number of administrative processes that we were required to change. We found it was difficult to address all of these and still capture the requisite level of data at the appropriate times.

There is certainly a desire, as we are all well aware, for immediate data capture after a disaster event. But the technicians will all advise us that it is better to wait in some instances, that the damage, for example, to roads, to sealed roads, only will emerge after a period of time and so forth.

But the thing that concerned us most, and I have said it and tried to seek information from anywhere I can, is how can Douglas Shire Council best establish its own structure to ensure that the risk of withholding of funds from the Commonwealth government after those submissions have been approved by the state, is reduced. How can we reduce that risk. And as I have said in the submission, the most common advice that we have received is suck it up, really what you need to do is reduce your scope. And I have put it very bluntly and probably too crudely, but it is reduce the scope of work that you are undertaking and that is the only way that you can reduce the risk of withholding of funds from the Commonwealth.

That leaves us in an untenable position, because if continually reduce the scope, if in round figures this year our scope is \$15 million, if there is a risk of \$1.5 million being withheld by the Commonwealth or through the process, despite our very best efforts at doing it properly in every sense, we are unable to guard against that danger. And if Douglas Shire Council ends up with a \$1.5 million shortfall we will be in very dire straits.

The thing that also concerns me most is that I have not been able to obtain accurate - or information from anybody at any level with regard to any council that has been successful in receiving a hundred per cent of the funding that has been approved by the QRA. So we are going into it

completely behind the eight ball. We know that whatever is approved by QRA is likely, and probably even probable, to have a shortfall. So, we can gear up for some of it in terms of a contingency but we cannot guess, it is not responsible to enter into contracts not knowing how we can
5 manage the risk of that shortfall, and nobody can tell me, and I mean nobody.

MS CHESTER: Julie and Linda, they are all the questions that we have for you this morning. Thank you very much for joining us here today and
10 for your frank, local insights on what is a pretty important issue for your shire, your council. So, thank you for joining us.

MR COPPEL: Thank you.

15 **CR LEU:** Thanks very much for the opportunity.

MS CARDEW: Thank you.

MS CHESTER: I would now like to welcome representatives from the
20 Queensland state government to join us. Welcome and thank you very much for joining us in warm Townsville this morning. Let me just say, I did want to thank the Queensland state government for being proactively involved in this inquiry as well, meeting with us, providing on time - sort of against the other state governments on this - on time for your pre-draft
25 report submission and your post-draft report submission. If I could just get you each respectively to state your name and the organisation within the state government that you represent before I allow you to make a few opening remarks, please.

30 **MR CARROLL:** Thank you, Commissioner. It's Frankie Carroll, CEO of Queensland Reconstruction Authority representing the Queensland Government here today.

MS PARTON: I'm Kathy Parton, I'm also with the Queensland
35 Reconstruction Authority.

MR BEAVERS: I'm Alex Beavers, I'm with the Queensland Treasury Department.

40 **MR JOHNSTON:** Steve Johnston, Acting Director-General, Department of Local Government, Community Recovery and Resilience.

MS CHESTER: Thank you.

MR CARROLL: Commissioners, if you would indulge, I'll just make some small opening remarks and then get down to your questions. First of all, the Minister sends his apologies today, unfortunately commitments - he could not be with us here today but he is looking forward to meeting you tomorrow and speaking with you directly tomorrow.

In relation to the submission, the Queensland Government had put together a comprehensive response to your draft report, and thank you for the ability to do that. Look, at the end of the day what we've done is we've seen some positives come in your report and some negatives and we have tried to capture that and give you some possible options in relation to how to deal with both of those.

In relation to the positives, the autonomy, the use of their labour to betterment, and all councillors here today will probably tell you that's a great idea and the Queensland Government have been trying to actually get more of that over the last couple of years in relation to disasters. Unfortunately, Queensland has suffered a lot of disasters over the last four years, \$14 billion of disaster moneys, which I think all councils and state and Commonwealth governments are aware of.

The reduction in funding from 75 to 50 per cent is nearly an impossible ask. What the Queensland Government is recommending in their submission is that if there is a reduction in funding that this should form part of the White Paper on Federation and actually talk about how to talk about the vertical fiscal imbalance which you identify in your report as well.

In relation to mitigation, the Queensland Government welcomes the mitigation numbers. Unfortunately, we think \$200 million is probably not enough in mitigation and I think councils here would happily take more money to mitigate in their circumstances. So in relation to that, we have put a recommendation maybe to lift that to \$500 million and try and actually get a good mix of mitigation back in local councils.

In relation to land use planning, the Queensland Government over the last couple of years have done a lot in relation to land use planning, and I assume one of your questions will be on that, so I'll pre-empt the question of course. The state Planning Act is under review at the moment, and that is under review with local councils, interested parties, LGAQ and the state government, and that is currently underway to try and give all parties the ability to actually look at land use planning and how it is impacting their communities, and also how natural hazards impact in land use planning.

Commissioners, that's only my comments of - - -

MS CHESTER: Thank you very much for those opening remarks, Frankie. I think what - turning first to talking through I guess the key changes to the recovery funding arrangements. And we are very mindful
5 that we were given this inquiry by the Commonwealth government and we do need to accept the existing situation with respect to vertical fiscal imbalance as it occurs. But we have tried to frame our recommendations in such a way that if that were to change over time, the architecture of the disaster funding arrangements could also be changed to reflect that. So
10 we kind of think that there isn't really a need to wait for the outcome of the White Paper there, but we'll come back to that in a moment.

I guess one of the key issues for us is really firstly around the thresholds. And what we're trying to do there is re-establish what is the
15 original policy objective of being a safety net, so what really is a level that would materially impact a state budget. Now, we have suggested making changes in the thresholds in our draft report in terms of trying to better target what would be a material impact on state budgets.

It would be good to get your views on what really does knock around a state budget such that it would be an appropriate threshold; apart from
20 just the response that the current threshold is fine.

MR CARROLL: Well, first of all, we say the current threshold is fine.
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MS CHESTER: Thank you.

MR CARROLL: Look, just to put it in context, annex 3 in the report from the state government actually tries to detail what impact the move
30 from \$240,000 to \$2 million would mean.

MS CHESTER: Sorry, I was just talking about the revenue thresholds, we'll come to the small disaster criterion in a moment, if that's okay.

MR CARROLL: The revenue threshold in relation to the - - -
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MS CHESTER: Yes. The 50 per cent applying.

MR CARROLL: At the moment, that would increase the cost to
40 Queensland, both the state and local governments, of \$100 million. Look, at the end of the day the Queensland Government has invested \$3 billion in natural disaster funding over the last four years. Yet again, every dollar we invest is a dollar we don't have to spend on infrastructure, communities, education, health and the needs.
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Yet again, the Queensland Government is putting together as much as they can in relation to these disasters, \$3 billion in investment in the natural disasters and over \$500 million in the investment in mitigation. So, you know, at the end of that day it really comes back to that vertical
5 fiscal imbalance that you talk about in your report. The Queensland Government only has a limited ability to raise revenue. Unfortunately, that limited ability to raise revenue is actually hampering any real increase of cost to the Queensland Government.

10 **MS CHESTER:** If we turn then to the cost sharing rate, so at the moment is cost sharing rate is 50 and 75 per cent, depending on the thresholds. The 50 per cent figure we arrived at is very much cognisant of its underpinnings being driven by vertical fiscal imbalance. So, it would be good to understand what has really informed Queensland's view to
15 depart from that.

MR BEAVERS: Look, I'm prepared to talk about that, if that's okay, Jonathan. I mean, I think in relation to this issue I accept that there is a whole lot of arrangements that you can point to between the
20 Commonwealth and the states that have 50/50 cost sharing, and equally there is others where the Commonwealth pays 80 per cent and the states pay 20 per cent and so forth. I guess what we're saying, and there is no data driven answer to arrive at this conclusion, but is that we say this is different.

25 That, fundamentally, this issue about natural disasters is - in every day, every month, every year, there is going to be debates around with the Commonwealth and the states about the right amount the Commonwealth should be spending on hospitals versus the states, and early childhood
30 education, all these other portfolio areas, but we are saying natural disasters are different.

That is heavily grounded in what we view as, I guess, the role as a whole being for the federation. So, if we're looking for a data answer I
35 don't think we're going to find it, the Queensland Government feels that this is different.

MS CHESTER: We absolutely agree that natural disaster funding is different because it's really not a traditional service delivery mechanism,
40 it's a risk management. So, making sure that the incentive framework is right for state governments to make the tough calls on issues like land use planning. And so for us it's driven by two things, it's vertical fiscal imbalance, relative fiscal capacity, and based on the evidence that we have had from other parties at Commonwealth level, Commonwealth Grants
45 Commission, 50 per cent is about right over a long period of time, I

appreciate there's one or two partnership agreements that might have an 80/20, but looking more broadly at infrastructure it actually flips the other way, Commonwealth and state.

5 We agree that natural disasters are different but that makes it even more important that state governments kind of have skin in the game, for want of a better description, to make sure that they are managing those other levers of policy. So, there's kind of two principles driving us there.

10 **MR CARROLL:** But I think the state government and local councils have skin in the game, you know, \$3 billion is a lot of money that could be invested in different ways. And I think everybody, both state and local governments would be happy not to have an actual disaster because it's an out of sequence investment in infrastructure rather than a planned
15 sequence investment, and that's why we look to the Commonwealth to actually try and fund that component of work.

MS CHESTER: On the small disaster criterion - and I won't repeat what I said earlier, because you guys were in the front row and you heard it -
20 but what we are getting at there is trying to distinguish between routine weather events and those that really are a natural disaster intuitively and should sort of contribute to the threshold. I do appreciate that you did some analysis and you provided us with some data, and I think from that, nine or 10 events would have missed out under the \$2 million criterion if
25 we look back historically.

Where we're coming from there is, one, trying to get that distinction right, and, secondly, a lot of the insurance loss data tells us about the non-linearity, that is 10 per cent of the disasters actually account for
30 80 per cent of the costs. So, it would be good to get your sense of where that line in the sand would be appropriate, and of those nine or 10 that did miss out, which you think really constituted a natural disaster.

MR CARROLL: It's actually eight natural disaster events which impacts
35 53 councils. The problem with that is you have a vast area in Queensland, eight of those will be Indigenous councils. The Indigenous councils don't have a rate base, so at the end of the day \$240,000 to that Indigenous council is a fortune. So, yet again, the state and local government are very good for making sure we plan for natural disasters, there is a lot of
40 investment upfront.

You would have seen the RACQ Get Ready campaign here in Queensland, local disaster management groups have exercises, there's a planning exercise that goes on. So, there is a lot of work and investment
45 by every level of government to try and make sure we minimise the

5 impact. So, at the end of the day, you know, one of the disasters which would be impacted would have been the Stradbroke fires, the money spent in that was in relation to try and save life and property. So, yet again, it's a well-invested money, unfortunately I don't think we can say moving it from 240 to 2 million is a good idea, you know, how much do you actually put on the cost of a life or a property area in that area.

10 **MS CHESTER:** From your numbers that is \$6 million over four years would be the impact?

MR CARROLL: I don't have that number but can I come back to you on that, Commissioner?

15 **MS CHESTER:** What would be helpful is, there has been a lot of numbers bandied around in terms of the fiscal impact and we do appreciate that in our draft report we were only really able to look at the fiscal impact at the Commonwealth level, we could only look at the states collectively because we didn't have enough event level data from the states to do those calculations.

20 We do appreciate that you have done that in your post-draft report submission, which his evidence that we would like to be able to cite. I have just got a couple of quite important clarifying questions to ask you so we can understand that fiscal impact.

25 If we look at the first fiscal impact which is reducing the cost sharing rate from 75 to 50 per cent, which you suggest is a cost, looking back retrospectively, of \$2.7 billion on the state government. I just want to understand, does that include the moneys that the state government would have got from the other states in the second round of the cost sharing?

30 **MR CARROLL:** No, it actually includes the cost, the true impact cost. Unfortunately in your report you also refer to the CGC possible review, so the states have to look at this and say what would actually impact. Now, shifting the cost to another state is not the real answer. Every other state has the same problem that Queensland has, is raising revenue for that.

35 **MS CHESTER:** If we were, again, looking at it historically, so the \$2.7 billion, if we had the second round of the cost sharing where the other states pick up 80 per cent and Queensland pays 20 per cent, so what you would get from the GST pool would mean - I think from my calculations but correct me if I'm wrong - that the \$2.7 billion becomes \$540 million for the state government?

MR BEAVERS: No, that wouldn't be right. Because, I mean, the CGC stuff takes several years to work its way through doesn't it.

MS CHESTER: I appreciate there is a bit of a (indistinct) the cost.

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MR BEAVERS: You could say, well, over the long run, and it might equally - I mean we're still spending money in '13 and '14 in relation to disasters that happened - when, Frankie, several years before?

10 **MR CARROLL:** Yes, several years before. Yes, well, three years before.

MS CHESTER: But, Alex, at the end of the day you get that 80 per cent from the other states, don't you?

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MR CARROLL: But that is assuming that you don't have another disaster in another state, so there's a lot of complicated rules in relation to this redistribution of income. You're assuming, at the best case scenario, only one disaster occurs in one event. Unfortunately, Queensland has multiple disasters which actually follow each other, and states have multiple disasters as well, you know. In the case of 2011 you had Victoria had half-a billion dollars' worth of damage compared to \$7 billion from Queensland.

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25 **MS CHESTER:** Yes. What I'm just trying to understand is you're saying that this is the impact on Queensland, the net impact on Queensland but you do recognise that you do get money from the other states through the GST pool, the HFE - sorry, the horizontal fiscal equalisation.

30 **MR BEAVERS:** I guess though that if you take that and you take that to an extension then in every submission of the state to the Productivity Commission would be taking into account HFE, which ultimately it does leave every state as it is intended to do, effectively, per capita.

35 **MS CHESTER:** That is really important here, particularly for local council in terms of understanding what really is ultimately the net fiscal impact on the state, isn't it?

40 **MR BEAVERS:** I think it's also important in saying, well, this is why this issue can't just be considered in the isolation of talking about natural disaster funding, and that's why it is really about the federation.

45 **MS CHESTER:** No, no, I'm just trying to understand, the figure \$5 billion is being pointed to and conveyed to local council, I just want to understand it.

MR BEAVERS: I understand that.

MS CHESTER: Yes, okay.

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MR BEAVERS: I guess I'm saying in response that if we took that logic through then every state's submission to the Productivity Commission would say, well, the figures are wrong because they don't take into account HFE.

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MS CHESTER: I'm just looking at the net fiscal impact which is what is important to council because it is what trickles down to them. You have also included in the \$5 billion the removal of insurance duty of \$2.4 billion. Now, that was a really important recommendation for us because it was really driven around what are good taxes, what are bad taxes, and what really contributes to the affordability of insurance. And we don't suggest that you just take that tax away, we do suggest there is other revenue bases that the state has where those taxes can be raised, and at the ultimate - at the end of the day it's at the discretion of the state government. So, we're not quite sure why the minus 2.4 is in there.

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MR CARROLL: The revenue raised from insurance taxes, that is the 2.4 billion over the four year period of which was the comparison, yet again, if we take it away it is a lost revenue component and at the point in time where you are saying that the states should take up another bill for natural disasters. As an accountant, I can tell you, you take away money and not have any revenue stream to deal with it is a disaster waiting to happen.

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MS CHESTER: That is certainly not what we had in mind and not how we framed that recommendation or our commentary, "We will get rid of the bad tax, replace it with a good tax".

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MR CARROLL: I think we have recognised that in our recommendations as part of the white paper on taxation, the federation form, we are suggesting. The mixed taxes may not be optimal but it should be located in the whole context of that white paper on federation form.

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MS CHESTER: So you take it the state government is not doing that, so that is a zero against that one. I guess what I am trying to do is just get to what is really the impact on the state government and what local councils might be concerned about in terms of what might trickle through to them. If you look at it that way, the \$5.3 billion could actually come down to around \$750 million over four years, which is about 200 million per

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annum for the state.

MR CARROLL: On top of the \$3 billion we have already spent and the \$500 million we have invested in the (indistinct).

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MS CHESTER: No, no. I am just trying to understand that impact because - - -

MR CARROLL: That is in relation to disasters. If you reduce it, the Commonwealth doesn't have to pay and you talk about savings in the report. The Queensland Government has to pay or somebody else has to pay.

MR BEAVERS: Isn't it also the case that, you know, if we were having an inquiry into, say, about the property market. We would have, no doubt, saying the state should abolish transfer duty because that has an efficiency loss as well, relative to other taxes. I think the 5.3 is legitimate as is the removal of insurance duty and for inclusion the tables are cost.

MS CHESTER: You have just said that you are not going to. That is okay, I just wanted to better understand and clarify how the costings were derived, what was included and what wasn't included, because I think it's really important for people to understand what the net fiscal impact might be. Sorry, do you have a question.

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MR COPPEL: Could I just ask a question on this trickle down of funding following earlier changes in the funding arrangements because the question I made to the previous participant was, how does a change at the Commonwealth level feed through to the local government level, and there seems to be a presumption that any change at the Commonwealth level would flow through immediately to local councils, because you are making the argument that there is no capacity to bear any of the additional costs at the state level.

If you go back in the past where there have been changes to the arrangements, how has the Queensland Government responded to those, vis-à-vis its payments and its criteria used to make those payments to local governments.

MR CARROLL: In relation to that, the NDRRA determination is a Commonwealth determination and the Queensland Government applies the determination as best it can in the limited information that is actually available. So, really, to answer your question I will talk about the change that occurred in the 2010 determination which was removal of parks and gardens in relation to that. Unfortunately, if that is removed as an eligible

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item, yet again, that flows from the determination that it is an ineligible item. So, yet again, that flows the whole way through from the state point of view right down to the council, because we are implementing a determination from the Commonwealth government.

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MR COPPEL: Do you have discretion in your own arrangements within the state as to whether you do that or not?

MR CARROLL: There is discretionary spending that we do in it and we have in 2013 and we had a situation where there was an agreement between the Commonwealth and state government in relation to a funding package which the Commonwealth removed. The state government picked up the tab in relation to that. So, yes, there is. But yet again, there isn't enough money in the bucket. \$3 billion for disasters of the last four years, \$500 million in mitigation, that is a lot of spending on natural disasters from the Queensland Government.

MR COPPEL: One of the issues that many local governments that put, vis-à-vis the – well, the disaster criterion is that the increase to 2 million is a very high threshold for a local government, and that implies that it's not on a per event basis, that they consider this to be the threshold but on a cost threshold for the local government area. And to clarify what we have in mind for the small disaster, or what is the small disaster criteria, is per event. So the question is, do you interpret the small disaster criteria in terms of the way it actually applies as a threshold that is relevant on a per council basis, or is it on a per event basis?

MR CARROLL: The current arrangement takes into account the ability for both state and local government to actually, as you said, have some skin in the game. So in the event of a disaster there is a threshold that each council or each state has to actually pass before it becomes an event. Each council in the room has a trigger point and really if there is a disaster, those trigger points, and this is a proportion of revenue of the council, those trigger points have to be reached before they can actually claim moneys. So we have already got the scenario that occurs.

The current arrangement also has that 50 per cent and 75 per cent so we have actually got to get over the threshold on a state level basis to get over the 50 per cent and over the 75 per cent. So, yet again, those thresholds are already there. We currently operate on those threshold components.

MR COPPEL: So for a local government, the small disaster criterion is a different threshold than the one that applies at the national level, the 240,000. Is that correct?

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5 **MR CARROLL:** There is a discrepancy because the thresholds are actually based on – the 50 and 75 is based on a financial year basis, and so if I actually had a disaster today and I am actually spending more than 150 million dollars on the state, we are reaching that 75 per cent reimbursement from the Commonwealth. If I actually don't spend half of the next year and I don't have any other disaster, I only get 50 per cent back as a state from that. So there is a discrepancy based on a financial year basis and an event year basis.

10 **MS CHESTER:** One of the points that we can agree to agree on is around trying to get more autonomy and flexibility down to the state and local government and how post-disaster funding is spent. We know that the reimbursement model just doesn't work for the Commonwealth in terms of the requirement then to be incredibly prescriptive and cost controlling and day labour and betterment and all those issues that we receive substantive evidence from local councils and shires that that is just not cost effective or workable or gives them the flexibility that they need.

20 To kind of do that we need to depart from the reimbursement model. That is the only way we can kind of see that working with the federal government. It would be good to get your feedback in terms of moving towards an assessed deemed costs after the event as a way of the Commonwealth then being able to say, "That is what the assessed damages have been. Here is your 50 cents in the dollar. You can now work out what is the best way, best timeframe, day labour, no day labour, that that can be spent in a state jurisdiction".

30 We appreciate that there are some challenges in doing that, but we also appreciate that Queensland is kind of leading other states in terms of developing that data and that information and those estimation processes, particularly through QRA. So I would like to get your feedback on that and, more importantly, around what transition timeframe might be required to put such an arrangement in place?

35 **MR CARROLL:** Can I just as a clarifying question and maybe it's a misunderstanding when I read the report. The autonomy you are talking about is across the three options that you have put in, or is it actually just related to one option?

40 **MS CHESTER:** No, across all three.

45 **MR CARROLL:** Thank you. In relation to the estimation of damage, unfortunately, Queensland has become very good at this estimation, and I really wish we weren't. I would be happy to be out of a job for this

5 actually. At the end of the day, we work with councils to try and get an estimated damage after the event. The problem is, and Douglas Shire Council even find this, there are areas you actually get out there and actually find what damage has been done. In 2011, I can tell you, in the channel country three months after the event it was still flooded. We just couldn't get out to the roads and Douglas is – I have just given you an example this morning. It's not a case of one size fits all.

10 We in QRA have been leading what we call a benchmarking collection data, which is looking at the cost of that repair and we continue to develop that with councils and state departments, to try and get that to a very efficient level because of the reliability that is required at both a state treasury level and the Commonwealth treasury level. Yes, we are leading that across the nation at this point in time and we are getting better. The problem I see in this scenario is, in the event that you actually take a damage estimate at a point in time and you actually go back to actually reconstruct it, you could have a latent condition in the works that actually could blow the dollar cost out.

20 I don't think it's really a fair component, or a fair realisation that both the state and local government will be penalised because of that latent condition. I think just a little bit of a – you talk about an implementation timeframe, those things would need to be worked through before you would be able to get to what that implementation timeframe would be.

25 **MS CHESTER:** Frankie, is it more an issue then around having flexibility about when the assessment can be made so you don't have this risk of a latent major cost impost?

30 **MR CARROLL:** Yes and no is the answer. In the current arrangements, the requirement is to actually get the damage immediately after the event, and most councils will tell you, that is nearly an impossibility at times. So that condition that is in the current determination is very restrictive and we try and do that. The problem with leaving it too long is that means we have communities actually isolated. Yet again, it's not a one size fits all model. There needs to be some flexibility in relation to that. Some areas you are able to get out and get at damage pretty much immediately and some areas you won't, and some areas you will have a latent condition and you won't know that until the construction occurs.

40 **MS CHESTER:** So if we can build some flexibility into it and if we are looking at what a reasonable cost, not exact cost which tend to be required for a reimbursement model when Canberra is cost-constraining, is it workable from the Queensland Government's perspective, given the advances that you have made?

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5 **MR CARROLL:** I would have to get a little bit more detail before I would be able to commit, whether it be workable for the Queensland Government. I would need to understand the framework it was in, what we are talking about. We have instances where we put estimations down to the Commonwealth government and they have said, "We don't think that is right because you have got a contingency in there of 30 per cent". The reason we have it in there is because we don't know the condition of the asset.

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MS CHESTER: So that comes back to the timing issue.

15 **MR CARROLL:** Yes, exactly. But even with the timing issue, you can actually go out and look at a road and there are some engineers here today. A very good question for them. You look at the road and say, "It will look fine on top but as soon as you touch the sub-grade it's just a river underneath it". Yet again, immediate assessment of damage, or even after a couple of months, you can still have a problem once you actually touch the road and look at the sub-grade problems?

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MS CHESTER: We touch on in our report some other mechanisms as well to try to get it out of, "She said, he said", between Canberra and the states about setting a threshold where you might get someone independently, maybe from the insurance industry, if it's a large quantum of money, to make that assessment. It would be good to get your thoughts on that.

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30 **MR CARROLL:** In relation to that, we need to be careful on that and I say that with a little bit of experience on this. One of the things that after the 2011 events that we had, the World Bank did a study in relation to how Queensland recovered from the disasters that occurred, they identify a gap from the immediate assistance that is given to the reconstruction phase. The widening of that gap - and it's well published in their findings, the widening in that gap is actually - Queensland is good and the Commonwealth is very good, because you have this NDRRA return, so everybody is relatively - and I say relatively - understands what the requirement is. There are nuances and I will be the first one to say that.

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40 So being able to do that and get on with the work is actually what they thought was good about the NDRRA determination. If you are waiting for an assessment to do, you may be adding a point of the additional red tape component that is coming through. We need to be very careful of that. The Queensland Government has worked very hard to try and reduce that red tape. We are fearful that would add a layer of bureaucracy over the top which would actually defeat the purposes of trying to get the work

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done early. So yet again, you mention a threshold of \$5 million in your draft report, in that instance you would be at 77 councils in the last couple of years, and for pretty much most of their assets that they have actually reconstructed.

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MR BEAVERS: Frankie, is it also fair to say that looking to the philosophy of avoiding Groundhog Day – we have used that term before - that is pretty well agreed, but one of the issues might be that if you were talking about an event that occurred in a specific location where you could quickly deploy a lot of expertise to do the assessment, that would obviously be more achievable than some of the events that we have had in Queensland in the past where the dislocation and devastation has been so widespread and resources are spread thin and then that time criticality issue comes into play with the assessment, so I guess there is a dimension there as well.

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MR CARROLL: Also there is a problem of multiple events, one after another. There is a complex layer in this component.

MS CHESTER: That is helpful feedback, thanks for that. Turning then to maybe another area where we can agree to agree is on getting the balance right between mitigation and funding post-disaster, and I think two key points from your post-draft report submission are, one, the quantum is not right and, two, the allocation mechanism isn't right. Turning first to the allocation mechanism, what we were trying to do was get a balance between what is sort of fair across states, but something that could be an approximation of a risk rated basis for allocating mitigation funding across state and territory jurisdictions.

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You will know from looking at the report that when you look at the insurance loss data, it's not too far off from per capita revenue, doing it on a per capita basis, but we do appreciate that that would have disadvantaged Queensland based on that insurance loss data. So if we are going to do it on a risk rated basis, what do you suggest would be a fair and reasonable way of doing that?

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MR CARROLL: Look at the history of disasters over a prior period. At the end of the day, Queensland has had more than its share of disasters over the last four or five years. We are just going into the wet season again. The forecast is that we will have a normal cyclone season, just one across the coast. Yet again, it's looking at where do we think the risk is, rather than on a per capita basis. And just looking at disasters over the last couple of years would give you an indication of what we have had from Mother Nature. It's not a prediction of what we are going to have in the future, and I agree with that but, at the end of the day, surely it would

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be better spent in mitigating a risk that is there rather than a risk that might happen again.

5 **MS CHESTER:** If we were to do it on a risk rated basis, looking at history, maybe the insurance loss data, with some tweaks, might be the best way to do it then.

10 **MR CARROLL:** The insurance loss data in your report, you talk about – I will get this terminology correct, so forgive me if I do - the ILRs is in relation to that because there is a waiting component that is actually in there. Even in your own report you mention going back and having a look at the weighting that is on flood damage probably needs to be reviewed because it's very, very low. What we have seen from disasters here in Queensland – I can't speak for the other states, is flood actually is the one that actually causes the most damage component here in Queensland. At the end of the day, fires do cause damage but less of a sizeable damage component in relation to that.

20 **MS CHESTER:** So it's just trying to find the right way of measuring that risk rate, but you would be wanting to do it on a backward looking basis. One other suggestion was to actually get someone in the industry to do some simple looking CAT loss modelling and do it on that basis.

25 **MR CARROLL:** I know we have used Risk Frontiers in some of this analysis, and that is available. I think it would be clear in the link in the report.

30 **MS CHESTER:** The work that Risk Frontiers did for you, was that just about Queensland. It didn't look at the other states?

MR CARROLL: It looked at the total and Queensland, if I remember correctly.

35 **MS CHESTER:** If you could share that with us, that would - - -

MR CARROLL: There is a link in the report which we've put in, but I am happy to send that through to you as well.

40 **MS CHESTER:** Great. Thank you very much. In terms of the quantum then, we identified \$200 million by the Commonwealth to be then matched by state/territory jurisdictions, which means \$400 million per annum across Australia, assuming we can get the allocation right. I think, from memory, your post-draft report submission suggested \$500 million. I am just trying to understand – which is a big jump from \$27 million
45 which is what the Commonwealth is spending at the moment. What was

behind your thinking there?

5 **MR CARROLL:** At the end of the day, the Queensland Government over the last four years has spent \$500 million in mitigation. This is the extent that we understand – mitigation is a huge issue here in Queensland, and we are trying to invest in that. Looking at the per capita basis, Queensland will work out at about \$40 million in relation to an allocation per year. We have one project south of Rockhampton on the Bruce Highway upgrade which actually would wipe out your fund for the full year. Yet again, \$200 million is not enough. It needs to be a larger investment to try and get a return on it from all areas, from both state and local councils' point of view.

15 **MS CHESTER:** Two follow-up questions there. Firstly, if we were to up it from \$500 million and get an allocation that would be satisfactory to Queensland from a risk rated perspective, would the Queensland Government be then in a position to match it?

20 **MR CARROLL:** I am sorry, I can't - - -

MR BEAVER: What I can say is that the Queensland Government does want to spend more on mitigation and so I think if there was Commonwealth money on the table for mitigation – I can't make a decision for them, but I imagine that they would be quite attracted to that proposition. I mean, it's something that our premier is on record as saying he wants to do more on mitigation and my experience is, when a premier wants to do something, we find a way to make it happen and the issue has been about trying to come to the table and get some sort of joint funding arrangement. And, I guess, just reinforcing Frankie's point, I mean, so much of the discussion today, and I guess with the Commission, needs to be framed against this issue of roads in Queensland.

35 We talk about – I don't know what the figure is, Frankie, 135,000 kilometres of roads and the mayor of - - -

MR CARROLL: 200,000.

40 **MR BEAVERS:** Really - 200,000. The mayor of the Douglas Shire Council looks after a road network that is probably about one tenth of the size of the Road Transport Authority of New South Wales, for the entire State of New South Wales, so it's really this roads dimension that is incredibly problematic for us and the huge devastation that floods cause, but it's also why, in a mitigation context, you can spend \$40 million and a total mitigation level would not achieve a hell of a lot. That is part of the reason, say, "Well, could you make big ground with \$40 million a year?"

The answer is probably no.

5 **MR CARROLL:** It's also, I understand, I think the Queensland Government, and even councils would actually say this to you, is that you cannot flood-proof Queensland. You can only flood proof some of the areas of Queensland. A lot of the areas, there is infrastructure, unsealed roads in rural areas. There isn't a way to flood proof that in the channel country or up in the cape.

10 **MS CHESTER:** Agree completely. We know mitigation is a help at the margin, it's not a silver bullet for this problem.

MR CARROLL: Absolutely.

15 **MS CHESTER:** If we are looking at the mitigation spend, we do have a couple of recommendations around the best way to spend that, and we didn't do it in a prescriptive sense in terms of projects, but more the governance and the decision-making. The Queensland state government is kind of uniquely placed because of the work that you have done with
20 your own betterment fund, which has been matched by the Commonwealth government. It would be good to get any insights you have from that experience that would be relevant to getting the governance and the decision making right around the allocation of the mitigation money.

25 **MR CARROLL:** In relation to the betterment fund itself, which was \$80 million, the Queensland Government originally asked for \$100 million from each level of government. Unfortunately, \$80 million was the number that was settled on. That has been over-subscribed by nine
30 times in relation to that. To give you an idea of the appetite in relation to that – and that was the majority from local councils, not state assets. So at the end of the day, we have set up a framework and we have asked councils because they are in the best position to identify the areas that actually require that mitigation to actually look at that mitigation. And we
35 have tried to have a balance between the return that you get, financial return, the cost of damage versus the cost of the betterment cost, but also looking at the social factors as well.

40 In the event that this is – it means that it adds 135 kilometres to a route which you have got a cattle property at the end of. Yet again, that is an impact to both state and Commonwealth. We try to have a balance component. We have asked councils to actually put forward their options and review those options with council in conjunction with that. Yet again, it's only a limited bucket of funds and, unfortunately, we would probably
45 be well able to spend a lot more than we have.

5 **MS CHESTER:** I guess we are kind of looking at the decision-making process and whether or not what we have got in our draft report as a recommendation around that, are going to be enough to get best bang for buck for Queensland.

MR BEAVERS: Can you remind us about those specific recommendations, about the government's process?

10 **MS CHESTER:** Yes, sure. A couple of things. The Commonwealth Government would make allocation to state. State governments would have a high level risk assessment across the state in terms of a sense of the helicopter of where the priority areas are in terms of exposure. That is the initial triage in terms of where you think you might need to focus the
15 mitigation spent from a risk management perspective. Then it's kind of the bottoms up, getting submissions and proposals from council, and some councils working with insurers potentially, providing some cost benefit analyses, so then the triage can then occur at sort of a granular level against the helicopter.

20 **MR CARROLL:** In relation to that, we kind of have started that already. We looked at flood mapping river basins because flood is a major issue here in Queensland, so we have actually mapped river basins and sub-basins throughout the state of Queensland, and we are the first state to
25 actually go and do that, because unfortunately rivers actually cross local government boundaries. Yet again on that point, we looked at the first 104 high risk towns that actually needed mapping at a lower level and we helped councils on those mapping areas. That gave us an output of nearly 300 projects that actually could be used at that point in time.

30 Our work is continuing. There is another 100 mapping going on of high risk towns in relation to that. And that mitigation stuff that you are talking about, we have started to see that come back where we have seen
35 reduction in insurance premiums in Roma and St George because we have actually put in mitigation flood levels in the town.

MS CHESTER: That raises a really important point that we raise in our submission as well, so we are trying to be flexible with how a state
40 jurisdiction could match the funding. So we identify, probably, state government would be the primary port of call for that funding being matched, but we are also cognisant that insurers, if they work with local council on particular hard mitigation, it tends to be for the hard mitigation like levees and such, can actually work out some of the beneficiaries and
45 if you can get insurers to give an upfront commitment, which they have and they claim in some of the evidence – we have got them on the public

transcript record - saying they could give an undertaking that if that mitigation was undertaken, insurance premiums would go from X to Y.

5 Thinking that that might be a potential funding mechanism, particularly for local council, to say that we are going to up your rates, is a partial cost-recovery mechanism. You did have some views on that in your post-draft report and I wasn't quite sure why the Queensland Government wouldn't support that as a potential funding mechanism.

10 **MR CARROLL:** I think, at the end of the day, and it comes back to my earlier comment of saying you can't flood proof all of Queensland, we have had commitment from some insurance companies in relation to reduction of costs for insurance premiums. That has happened in Roma, St George and Charleville, off the top of my head, but unfortunately, and I
15 can't speak for council, I don't know how council would actually harness that saving back into the ratepayers. I think that is a question you are going to have to request – ask the council, because the state government doesn't have the ability to do that as well.

20 **MS CHESTER:** No, I wasn't suggesting, but I was just wondering why the state government would oppose it in principle. If there is a private beneficiary, they are getting lower insurance premiums and councils can negotiate with their local communities that "You are going to benefit from this flood levee. We are not going to recover all of it from you, but to the
25 extent you are going to get lower insurance premiums, we want to contribute". Why would the state government have a problem with that?

MR CARROLL: The diversity of Queensland. You are looking at Diamantina Shire Council. That is nearly 95,000 square kilometres. That
30 has got a rateable base of, if you invested \$500,000, each rateable property would pay \$5000. So yet again, it's the cost shifting component in relation to that. We just need to be careful.

MS CHESTER: I think you are misunderstanding what we are proposing
35 here. It's not spreading the cost across the community. Individuals that can be identified as private beneficiaries through lower insurance premiums or higher asset prices, could they not be a way of tapping into a funding mechanism there?

40 **MR CARROLL:** I just don't know how you would actually implement that.

MS CHESTER: Alex, are you happy with that?

45 **MR BEAVERS:** I was just going to say, I think what the state

government is getting to is if there was a live example where everybody was in unanimous agreement about the need to do X, Y and Z and the community was on board and saying, "We will get this". I can see how that potentially could work, but I don't know whether we could say, and I think this is what our submission was getting to as a state-wide solution, not at that level, but certainly if there is ever any occasion where you had unanimous agreement on the part of local government, you know, insurers and ratepayers, that there was some special way to do something, I am sure the state would be happy to look at that on the merits of a very particular case.

MS CHESTER: We weren't suggesting it was a state-wide solution. It would be particular cases where it could be worked out.

MR COPPEL: I think it was proposed as a basis for a process for determining allocation of mitigation funds, so to the extent that there is an option there, is that option being investigated and used. It's not something which is considered there has been a single approach. I just wanted to come back to your opening comment on land use planning. You made the point that the act is actually under review at the moment. Do you know when that review will be completed?

MR CARROLL: There is draft consultation out at the moment. I don't know the exact date when that finishes but I am happy to supply the timetable to the Commissioners.

MR COPPEL: Thank you.

MS CHESTER: One final question, particularly given that the folk in the room, injurious affection, which I think local council has been asking for a little while now – quite a while actually. Is there a timeline that the state government has in mind of addressing that issue?

MR CARROLL: It's under review as Jonathan has just asked.

MS CHESTER: That is part of that review. Okay, sorry.

MR CARROLL: That is part of the review, that point, it's there. Can I just add one thing, I suppose. In relation to day labour, because we didn't really touch upon it, and the state government has a view on that. One of the things that we put in there is - we actually have updated our report that we have given you and I am happy to leave you with a copy of the updated report, that has shown a saving of approximately, before costing, of about \$120 million for state and local government – for state and Commonwealth government.

We have already realised \$50 million of that saving component, and I am happy to table the updated report for the Commissioners.

5 **MS CHESTER:** Thank you. That is good evidence for us to have.

MR COPPEL: The previous participant I asked about the mismatch between an assessed damage and the actual payment that was coming from the Commonwealth, and it seems to be more the assessed damage that is approved by QRA and what has been reimbursed by the Commonwealth. Is the source of that different for that gap linked to issues such as putting them in the contingency that has not been accepted, or is it other areas that are leading to a mismatch?

15 **MR CARROLL:** The determination is vague, if I use that terminology. Queensland has tried to take that determination in 2011 and actually put some robust processes around that. Unfortunately, I think the increase in cost has put a large spotlight and through the Commonwealth reconstruction spectrum in the taskforce. Yes, there is a view that may be contrary in relation to what the interpretation is. Unfortunately, the way that it is structured at the moment, the state is actually at risk. If they pay it to the council and they don't notify it, there's actually a possible comeback from the Commonwealth. That's what I think Douglas is talking about in relation to that. So the Commonwealth have the final say in relation to whether it's an eligible activity, whether it's a reimbursable cost. So the state is trying to do its best in relation to that and put the robust process and that. But, yet again, the Commonwealth still has the final say on whether that's actually a truly reconstruction cost that can be reimbursed.

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30 **MR COPPEL:** Do you have an idea of the magnitude of that gap at the moment?

MR CARROLL: I don't have the – it varies from event to event and activity to activity.

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40 **MS CHESTER:** I think that's all the questions we had for you today. I'm looking forward to having another opportunity to ask some more questions in Brisbane tomorrow. So thank you all very much for attending and for allowing us to have such a frank exchange because it really does let us get to the heart of the issues here.

MR CARROLL: Thank you, very much.

45 **MR COPPEL:** Thanks a lot.

5 **MS CHESTER:** I'd now like to welcome David Timms from the Outback Regional Road and Transport Group to join us, and let everyone know that David is the only thing that comes between you and a cup of coffee now.

MR TIMMS: Don't hold that against us. I don't drink coffee.

10 **MS CHESTER:** David, thanks very much for being here today and also thank you for your initial submission, your involvement in the Brisbane roundtable and also, I think, we've just received this morning or yesterday a post-draft report submission which I'm sure you'll be able to explain your views to us this morning. So can I just ask you to state your name and organisation for the purposes of the recorded transcript, and then if
15 you'd like to make some brief opening remarks.

MR TIMMS: Thank you. David Timms, I'm the director of engineering at Winton Shire Council but I'm here today in my capacity as the chair of the Outback Regional Road and Transport Group technical committee that
20 represents the shires of Blackall-Tambo, Barcaldine, Longreach, Winton, Barcoo, Boulia and Diamantina Shires. So what I'll do is address the draft recommendations and findings of the Productivity Commission draft report individually and raise concerns where the group's got them. So I'll just refer to the draft finding number or recommendation as I go through.
25 I don't want to read obviously the recommendations or findings.

Draft finding 2.2, the group is concerned with the statement the NDRRA small disaster criterion is too low. It is often the case in outback shires that road infrastructure is damaged by small routine events that on
30 the coast would not result in any damage to road infrastructure. This is largely due to the fact that the majority of the road network is unsealed and thus easily damaged by overland flows from rainfall events that, from a coastal point of view, could be classed as small or routine events. Making any changes to NDRRA that would preclude outback shires from
35 claiming on these events would shift the burden for restoration onto these councils and their ratepayers and it is a cost they cannot afford and would likely result in degradation of the asset and lower overall level of service.

40 Draft finding 2.4, the group is pleased to see the comments from the Commission that the current restrictions on the reimbursement for inputs for reconstruction, particularly day labour, result in wasteful spending. However, the group would like to see the Commission go one step further and actually recommend that day labour and its associated costs should be eligible expenditure for NDRRA works. On-costs represent a legitimate
45 cost to fund restoration works and it is a ludicrous situation where if

contractors are engaged to perform the works all their on-costs are eligible, but yet if council day labour crews are engaged, theirs are not.

5 The group's councils are in a geographical location where road rebuilding contractors are not readily available and hence, day labour crews have been established over time to carry out the NDRRA works year after year. These employees are permanent staff that are highly skilled in restoration works and contribute to the communities in which they live and work. They are not just employed on a casual basis when an event occurs because the history of the region shows that events happen at regular intervals such that they are required on a permanent basis to carry out the NDRRA works.

15 The group is also pleased with the findings about the continual restoration of assets to a pre-disaster level and that it leads to excessive reconstruction expenditure. The group has been arguing for some time that betterment is required extensively to restore assets to a high standard so they either do not get damaged during a subsequent event or at least they don't get damaged so severely. Betterment funding needs to be more widely applied and the process to obtain it needs to be streamlined. With this comes a need to provide clarity as to what current building and engineering standards are and how they are applied.

25 Draft recommendation 3.1. This draft recommendation is probably the most concerning and raises questions to which there are currently no answers. If the federal government reduces its contributions towards the restoration of a central public infrastructure from 75 to 50 per cent, then the obvious question is, who makes up the other 25 per cent? Group member councils do not have the financial capacity to make up the difference and so it would likely turn to the state government to fund the shortfall, but do they have the financial capacity? Increasing triggers or thresholds for assistance will lead to smaller events not being able to be claimed for or a larger contribution by councils to events that are claimed for. Once again, member councils do not have the capacity to make these increased contributions. The group notes that providing state governments with increased autonomy in managing relief and recovery expenditure may lead to better outcomes for local governments, provided authorities like the Queensland Reconstruction Authority, do not increasing red tape and barriers to efficient use of resources and funding.

40 Draft finding 2.5. The group has argued for some time that if we were able to use funds for increasing resilience before an event, then the amount of money spent after the event would slowly reduce over time. It is a ridiculous situation that time after time federal and state government funds have to be used to continually repair damage at the same locations

when a little bit extra in funding would allow the section of road to be built to a higher standard that would reduce expenditure after an event.

5 Draft recommendation 3.2. It is encouraging to see that the Productivity Commission has recommended that mitigation funding be provided to state governments so that money can be spent to increase the resilience of infrastructure prior to events. However, there are, once again, many questions left unanswered about how this might work and how much funding local governments might receive. Based on a fund of 10 200 million distributed on a per-capita basis and with matching funding from the state government, I calculated that, at most, the councils of the group would receive a few thousand dollars per year from such a fund. It quickly becomes clear that this funding would not be sufficient to achieve any outcomes.

15 If, as the Productivity Commission recommends, projects are funded that are supported by robust and transparent evaluations, including cost-benefit analysis and assessment of non-quantifiable impacts, then it could make it hard to obtain funding because it always seems to be the case that 20 projects just don't stack up in western areas, largely because of the low-traffic volumes, particularly in relation to road infrastructure. The distribution of this funding needs to be considered carefully to ensure a one-size-fits-all approach does not apply. The group also notes that the option to use private funding sources is not an option for member 25 councils.

Draft recommendation 3.4. The group does not consider that private insurance of road assets against damage is achievable or that it would represent value for money. In its submission to the Productivity 30 Commission the Local Government Association of Queensland made the point that an independent assessment of local government insurance arrangements by Infinity in 2012 concluded that a traditional insurance solution was unachievable and that insuring roads would not be cost-effective. The group notes that it is conceivable that an insurance 35 company could understand and price the risk associated with damage to a road network, that the premiums payable would be based on the risk profile and history of damage to the network and would have an effect on their assessment. It is likely that the cost of the premiums would be too high a burden compared to the rateable capacity of councils.

40 Draft recommendation 4.1 and 4.2. The group agrees with the recommendations that sharing of data should be more widespread where it is available and of the required standard. Draft recommendation 4.5. The group would welcome any additional assistance it might be provided to 45 member councils to ensure that they comply with their statutory

obligations regarding land use planning, provided that it does not increase the bureaucracy associated with it.

5 Finally, draft recommendation 4.6, the group member councils would welcome any moves by state governments to clarify or reduce the legal liability of local government when providing natural hazard information. That's all I've got with regards to opening remarks.

10 **MS CHESTER:** Thanks very much, David, and thanks for framing it around the recommendations and findings; that's really helpful for us to get a quick understanding, not having had a chance yet to read your post-draft report submission. Maybe if we turn first to the issue of some of the needs of more remote councils and the road issues there. The issue with the small disaster criterion – and it's a question I put to other council this morning, so hopefully you'll know where I'm coming from trying to get this distinction right. In moving from the 240,000 to the \$2 million, David, are there events that the councils that you represent through the transport group where events would have been missed, like they wouldn't have been covered under the NDRRA funding, that you'd intuitively look at them and say, "That was a natural disaster?"

20 **MR TIMMS:** I think it's fair to say if it's raised from 240 to 2 million it would pick up all of our events that we've had in – that I'm aware of at least over the last probably 10 or 11 years. I think what has got to be understood is that you've got a situation in outback areas where 10 inches of rain that, for example, falls on the coast doesn't do any damage. Ten inches of rain widespread across most of the areas of the seven shires could potentially cause well over \$100 million of damage. So you've got a massive impact from what is from a coastal perspective a very small amount of rain. So I think it would capture all of them; it would have an impact on all of them if it was raised. You'd simply have the situation where they all get captured. I don't think there's ever been a case where you have an event that would have been less than \$2 million.

35 **MS CHESTER:** So that's not such an issue from you, it's more around the cost sharing rate moving from the 75 to 50 and who pays the magic extra 25 per cent.

40 **MR TIMMS:** Yes, probably.

45 **MS CHESTER:** In that regard, it is important to understand who pays the extra 25 per cent and the relative fiscal capacity. I'm not sure if you heard before that there's another round of cost sharing with the other states which might suggest – I guess, from our perspective, if you look at the numbers through that lens it's a couple hundred million dollars a year

for the state government and they might have a relative fiscal capacity greater to absorb that vis-à-vis what should trickle down through to local councils. For the councils that you represent across your group, is there a quantum figure – and I’m talking perhaps a percentage of a rate base of funding that can be readily absorbed with these one-off events if there is a trickle-down effect to local council.

MR TIMMS: My answer, I think, would be no, I don’t think there is. I don’t think there’d be a magic number. I think it’s fair to say the rateable income of all the seven shires or councils is very small. There’s no doubt they just simply don’t have the capacity to contribute to – whether it’s 25 per cent or 20 per cent at the end of the day – to contribute anything towards to that, other than what their upfront or trigger point might be, which I think for some is somewhere between 15 and 50 thousand dollars at the moment. The reality is the feedback that I’ve had from the majority of them is that’s the biggest issue; they simply don’t have any money to contribute to it. They struggle as it is to provide the services that they’ve got to provide to their communities, to their ratepayers. And I think they’d seriously be looking at options of saying, “Well, it’s just not worth doing the work.” That’s a situation that you just – it raises a lot of issues with the safety of your network and access to communities and access for freight, the economy of the communities, et cetera. It’s got, I think, some devastating flow-on effects that aren’t felt in other communities because they’ve got sealed networks.

MS CHESTER: It raises an important issue around – and we’ve touched on it this morning in terms of what probably is what we think one of the key reforms to the funding arrangements is moving away from the reimbursement model to allow greater autonomy and flexibility with how post-disaster funding money is actually spent, which goes to the heart of the day labour issue. So as far as we’re concerned, once assessed damages – that assessment has been made and there’s benchmark costs that that assessment is applied to for replacing those assets or rebuilding them. Then the funds are there to be spent as considered appropriate by a local government, obviously in consultation with state government. It does pose the issue though – and we’re trying to work out the feasibility and the transition part that’s required to get the systems up in place for that model to be workable. Insurers have suggested to us that it is – we know that the Queensland state Government has made a lot of progress in terms of the work that QRA has done around this. But it would be good to get your thoughts and your knowledge about those benchmark costs for replacing or rebuilding a stretch of road in the communities that you’re looking at and whether what the Queensland state Government is using now for those sorts of numbers makes sense.

MR TIMMS: They do. I think the benchmark work that the QRA has done is a step towards having more autonomy if there was money upfront. Certainly you've got established rates and certainly most – well, if not all – councils would be very aware of what their costs are to go and do a certain job on a certain road. It varies across shires, for example, depending on the location of natural gravel that might get used and cartage distances and those sorts of things. Obviously in remote locations you've also got to get a handle on what the specific problem might be at a location. And obviously you've got those access issues upfront as well; that's a problem.

But I think moving forward if you had benchmark rates that were agreed upon and you got an amount of money upfront and it was then up to you to work with whatever the Queensland state body might be, QRA, and go and deliver the works, it certainly would be an opportunity, I think, to put some power back into the hands of the local governments to go and then deliver that work as they see fit. I guess one of the problems that I see with it is, is the money going to be there anyway? That's probably the first question. The second one goes back to the magic 20 per cent, because it would be my understanding that you couldn't simply say, "Well, the scope of works is going to be funded 80 per cent, so we'll just go and do 80 per cent of the work." You've still got to do a hundred per cent of the work. So it still leaves the issue of where that 20 per cent funding is going to come from.

But I think it's an opportunity certainly to put the management of the works squarely back in the hands of local government to go and deliver it to a network that they know best. The reality in, certainly the western Queensland shires, is that's the case. They have a large skills base. They have competent employees who in a lot of situations have been in their roles for a long time and they know the country, they know their network and they're best suited to know the hotspots, you might say, that should be fixed and how they should be fixed. That's not to say that they won't get damaged the next time round either because I think, as the state government representatives said before, you've still got those locations where it's simply you just can't restore it to a high standard such that it won't get damaged next time.

MS CHESTER: That raises an issue and it links back to some important points that you made in your opening remarks, David, around betterment and also how much more difficult it is for remote community councils to come up with a convincing cost-benefit analysis on mitigation works, given the size of the community and the beneficiaries. Someone early on in our consultations, who was very smart, switched-on person, basically said there is no difference between mitigation and betterment, it's just

when the disaster occurs. I'm just wondering if that's the angle for the remote communities and I just wanted to talk that through with you and get your thoughts and feedback on it. That if councils have got their asset management plans – and, as we understand it, some councils are now
5 starting to incorporate natural disaster risk into their asset management plan. So if an event were to occur they know what betterment that they would want to embed. Is that a way of kind of making mitigation happen, albeit after the event, through betterment for the remote communities?

10 **MR TIMMS:** Absolutely. I can give an example, I suppose, from my own council, Winton, where we actually went back at least I think over the previous five or six events and we essentially overlaid the data and locations, specific changes on our road network and identified locations
15 where there was a high chance that we would get damage next time we had an event. Interestingly enough, in the 2014 event we did have many locations, some of which we then pinpointed and tried to get betterment for those locations. I'm not aware that we've been successful because certainly I haven't heard anything that we either have or we haven't been successful.

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But it's an interesting tool to be able to use because then you start to appreciate where your hotspots are, where you do get recurring damage. I guess that's the frustrating thing for the councils is that you know time after time you're going back and spending money to fix them up where
25 you know that it could potentially be maybe only an extra 20, 50, sometimes more, thousand dollars that you need and you know that next time, for example, instead of having to build a new gravel floodway, all you'd have to do is use the grader to essentially take the silt off a concrete floodway and you can get access through that creek. It's as simple as that.
30 That's a very simple example but it's a widespread example.

MS CHESTER: That then kind of poses the question of how well placed are local councils in the sort of areas that you're dealing with to do that asset management planning work and to have enough robustness
35 around the betterment and the costs of that betterment so when an event occurs, that can also potentially be eligible for the funding arrangements.

MR TIMMS: Certainly I know from Winton's point of view we're certainly starting to get to that material stage in terms of our road network and the asset management that underpins it. I can quote a figure per metre
40 for a concrete floodway that's 6.5 metres wide. So long as we know the drainage, that's it, there you go, there's your cost; that's what it's going to cost to build a concrete floodway. Then obviously if you know what your benchmark rate is for the gravel one, well, there's your difference, that's
45 your betterment; application in. I think so long as you've got a handle on

that asset management that underpins it, it's not rocket science to come up with what would be a very simple application to say that's a good case for betterment.

5 **MS CHESTER:** The capacity of local councils then to do – if it wasn't a case of betterment but they did actually have a substantive mitigation project where they felt that the cost-benefit analysis could potentially stack up, the capacity to kind of do that analysis and present a case to state government for funding?

10 **MR TIMMS:** On an individual basis, I think the majority of councils are probably in the position where they have consultants, like engineering consultants, that would probably do that work for them. But certainly I think probably three out of the four that would probably be able to handle
15 it in-house, depending on what their own workloads were – but even then they might elect on a regional-wide basis, shire basis, to palm that work off to someone to identify others as well. But I think given the staff that you've got in the majority of those shires, as I said, they know their networks very well, they know them back to front, you might say. So they
20 have firsthand knowledge of where those locations are.

MR COPPEL: In your opening remarks you supported the recommendation that state governments give clarity on legal liability. In our report itself we don't have a specific recommendation on how that
25 could be effected, but we do give some commentary on the approach used in New South Wales. I'm wondering if you had any views on how best to go about providing that greater legal clarity to council.

MR TIMMS: I suppose it comes back to the information that's provided and how detailed that information is. I guess from a council point of
30 view, you've got to be able to hang your hat on it and you've got to be able to provide it to your ratepayers, to your community, to a level that or a high level that you're comfortable in doing so and that they can rely on it. I'm not sure really in terms of the legal side of it how you can provide
35 that in a way that they won't turn around and come back at you later on, because that's the real issue, I think, is that they rely on that information and they'll go and plan accordingly and then you have a natural disaster and they get affected by it. I'm not sure what happens in New South Wales. So it's probably a little bit difficult to give you a succinct answer
40 to that.

MR COPPEL: New South Wales has a clause in its Local Government Act that provided the council works in good faith, then their legal liability against decisions against the consequences of decisions they may take
45 with respect to, for example, land use planning, will be conditioned

against that clause of good faith. It's not a magic bullet either. It will depend on how you interpret "good faith".

5 **MR TIMMS:** I was going to say, that's exactly right, what's good faith?

MR COPPEL: But it anchors back to certain benchmarks that are given at the state level that they can then rely on. So earlier in the day we were talking a bit about benchmarks in relation to sea level rise. It's a bit separate from natural disasters. But in terms of planning on coastal communities, that has provided a greater degree of comfort in making decisions because of that benchmark that's been provided at a higher level of government. That's essentially how their system works, but there are other ways. I was just interested in if you had any views on what may be more appropriate.

15 **MR TIMMS:** I'll be honest and say in light of the draft report's comments, I hadn't considered any.

MR COPPEL: Thank you.

20 **MS CHESTER:** They're all the questions we had for you this morning, David. Thanks very much for joining us and for being able to be here today and for your involvement with submissions and roundtables and also appreciate that your group has also brought in some expert consultants to help provide some more detailed data and analysis around the position of the group with MWH who we also met with in Brisbane; so thank you for that.

25 **MR TIMMS:** That was more about, obviously, the day labour issue, which is a big one for the western Queensland councils.

MS CHESTER: Well it helped in terms of the evidence that we kind of needed; so, thank you for that.

30 **MR TIMMS:** That's good.

MS CHESTER: Look, ladies and gentlemen, I'm always running late. We're going to adjourn very briefly for a morning tea break. I'd ask you if you can just take 10 minutes. If we could meet back here at 11.10. I am told that there's a dedicated table for us out there and if we go to the other table we're going to be in trouble. So if you can find our dedicated table just outside the door for morning tea, that would be appreciated, and we'll resume at 11.10. Thank you.

45

ADJOURNED

[10.59 am]

RESUMED

[11.14 am]

5

MS CHESTER: Thanks, we might get underway again. I'd like to resume our public hearings in Townsville and I'd like to start by welcoming Brian Smyth, from the Mareeba Shire Council, who's joining us now.

10

MR SMYTH: Thanks, Commissioner. My name is Brian Smyth, I'm the director of infrastructure services at Mareeba Shire Council. I preface these comments on the basis that Mareeba Shire Council has just been de-amalgamated, I mean just, January this year and pre that I was responsible for the delivery of the '10, '11, '12 programs across the original Tablelands Regional Council, so a lot of my comments will be sitting across council boundaries.

15

20

Just very briefly, Mareeba supports the submissions made by FNQROC and also the IPWEAQ, with particular reference to the network resilience comments in the IPWEAQ submission. In respect of the funding model possibility changes, Mareeba's got a general rate revenue of about \$14 million annually, occupies an area probably half the size of Tasmania. Like Douglas, it's been exposed to two natural disaster events this year and it is exposed in two fronts. Not only is it exposed from natural disaster events that come in from the Coral Sea, but also those ones that come down from the Gulf of Carpentaria, which a happen regularly also.

25

30

Just two brief comments before you ask any questions, and one from left field, and that is the delivery of the works on the Tablelands, under the '10, '11, '12, '13 programs have used a different model and hasn't, in fact, achieved considerable cost savings.

35

The 2010 and 2011 programs, which totalled, from memory, around \$90 million, we saved just over \$20 million from the model that we used. The model - that hasn't come through in any of the documentation. I think if the federal and state governments are looking at trying to reduce costs, they should be looking at the delivery model of these programs.

40

The model involved council taking some risk, in respect of being the principal for materials, but it was able to bear that risk. It also packaged up the delivery program to bite-sized packages that the local contractors on the Tableland could deliver.

45

5 What that achieved then was drive down unit rates, upskilled the local contractors on the Tableland significantly, such that - I think he had close to 80-odd contracts over both programs and I think two were delivered from contractors from the coast, the balance were those from the Tablelands and it was an extremely successful program for those two years.

10 Going on to the 2013 year and the benchmarking processing that we've gone through, our tendered rates now are higher than the benchmarking rates being approved by QRA, so that's an issue we're going to have down the track when we come to reporting. For example, we've got a road that's 150 k west of Chillagoe that's got a scar on it and it's been approved to place some rock for \$90-odd. You couldn't mobilise
15 a traffic control crew for \$90 out there. So that's just a simple example.

The second brief comment I'd like to make is about flood mitigation. This is supported fully. The number in the commission's report probably is not in effect of quantum. We've got - when I say "we" the collective
20 "we". We've got four projects on the Tablelands that are proceeding, one's complete now. One of them goes back to 2007 and it had around \$100,000 approved on it on that same site from 2007 through to 2012. So for just on - so that's just about half a million dollars. Same damage, same site, we restored it to the same capacity, next year the same thing
25 happened again. For a spend of just over \$400,000 the Tablelands Regional Council will now get a more extended resilient structure.

We've got a river crossing, over the Mitchell, west of Chillagoe, where the Mareeba Shire Council - the Tablelands Regional Council used
30 to spend \$150,000 a year in restoring the Mitchell River. You can get a flood event in Douglas Shire and we'll get the flood down the Mitchell because the Mitchell rises at the back of the Daintree and that crossing would get wiped out. Now, with a spend of just over \$2 million, and a bit of ingenuity, we're going to end up with a much more serviceable and
35 resilient crossing that hopefully won't be affected and touched down the track.

So just with those two brief points, I'm open to questions, Commissioner.

40 **MS CHESTER:** Thanks very much Brian, and I should have said thank you for your post-draft report submission that we received just yesterday or the day before, which we've managed to read in the interim, which goes to the heart of the issues around day labour and effective delivery.

45

5 Maybe if we just turn to the comment that you made around the delivery model for 2010/11, and it would be good for us to get a better understanding of what was the kind of secret ingredient around that delivery model that resulted in the \$20 million saving, but also when you talked about a \$20 million saving, what was the \$90 million based on, that you're comparing the saving to?

10 **MR SMYTH:** Maybe I should have also said it could be said that the recommended value of the overall programs was inflated, but I don't really believe it was. The delivery model was based on a need to upskill the local contractors with the knowledge that a lot of the major contractors were tied up with damage as Cassowary, Townsville and Hinchinbrook and a lot of them would not travel to the Tablelands. So in adopting the model we did, we determined that the local contractors could not bear the financial risk of the holding cost of materials, hence the council decided to be the principle supplier of materials and bear that risk which, in reasonable terms, was a very low risk indeed.

20 We then put the packages out in bite-sized chunks of about half a million dollars, \$800,000 each, so much so that the local contractors could then have a bite of it. What we also did was we educated the contractors. We brought them up to speed with workplace health and safety, we brought them up to speed with traffic management planning. We had one contractor, we said, "Show us your traffic management plan if you want that tender" and he produced an A4 piece of paper with two lines on it representing a road and a stop sign. Now, not conformed to the MUTCD, I don't think. So he now is to the point where he can produce a fully-fledged traffic management plan, as well as a fully-fledged workplace health and safety plan. So that's gone across the board through about four or five contractors across the Tablelands.

30 Additionally we were able to, with the materials, and they primarily were gravel, encourage the existing quarries to bring in pug mill so that we could get processed gravels that were actually pugged, modified with cement if we needed it, such that they were arriving at site with the right moisture content and that did not require the contractor to have additional water on site therefore reduced costs et cetera. So with just those simple processes we were able to drive the overall cost down.

40 **MS CHESTER:** Brian, you also mentioned, I guess if we're looking on a going forward basis, that the current tender rates that you're looking at are greater than the benchmarking rates.

45 **MR SMYTH:** That have been approved, yes.

MS CHESTER: It would be good to know how the benchmarking rates were arrived at, who developed them and what's driving the difference between the two.

5 **MR SMYTH:** Whether the local contractors are getting smarter and pricing higher, I don't know, but certainly the benchmarking approval rates come from QRA. Certainly, as David said earlier, the benchmarking rates out west compared to - unit costs out west, compared to unit cost closer into the coast are considerably different. Once we get west of
10 Chillagoe we are really stymied, particularly if we've got to cart water for construction purposes, it really costs money. You can do a one-way trip of 90 k with a water tanker just to get one water tank to a gravel reconstruction site, so that's going to cost you money.

15 **MS CHESTER:** So with the benchmarking rates at the moment, and this is really important because that's the sort of basis for moving away from the reimbursement, it's kind of central to one of the reforms of our draft report. Is it that there's not enough geographic differences in the way that the benchmarking rates are applied across these very diverse geographies?

20 **MR SMYTH:** We aren't seeing it. If there is evidence it hasn't come forward to us. We would like to be assured that that is the case, but we aren't assured to date, but it's just our - when we go to tender on the approved scope of works our tendered rates are coming in a lot higher than what's been approved at the moment.

MS CHESTER: You also mentioned that there were four projects on the table at the moment, are they mitigation projects?

30 **MR SMYTH:** Mitigation projects.

MS CHESTER: What's the view in terms of how they may be funded, going forward?

35 **MR SMYTH:** There's two in Tablelands Regional Council and two in Mareeba Shire Council. Each council does a funding contribution towards them. They've got a restoration of essential public asset component plus a betterment component. One was a slip, one was a culvert, one was a causeway and one is the crossing of the Mitchell River.

40 **MS CHESTER:** These are damaged assets with building betterment into them, or they're undamaged assets where you're looking to mitigate pre disaster?

MR SMYTH: Damaged assets that are being - with betterment in them, because we've gone back, as David said before, we have the data to go back to previous years and demonstrate that the same damage happens year in, year out.

5

MS CHESTER: So that would be a funding proposal then to the Betterment Fund that the Queensland Government has with the Commonwealth government?

10 **MR SMYTH:** Which has been approved on the - and we've got more. There are more sites. The example that David gave about the causeway, put a concrete causeway in and after the event come through with a grader and take the silt away, we've got so many of those it's not funny.

15 **MS CHESTER:** I guess the key there as well is it comes back to a point we touched on earlier this morning around asset management planning, sort of embedding that natural disaster risk and having the betterment in mind before a disaster occurs. So when an asset is reconstructed the betterment's built into it. It'd be good to get your sense, given your
20 experience particularly over the last four or five years, where councils are up to, in terms of being able to do that.

MR SMYTH: Tablelands is getting there. As a new council we have just started, but we are going down that path of including that - including risk
25 management in the asset management plans.

MS CHESTER: So there's capacity at the council level, it's just really a matter of timing from your perspective, Brian?

30 **MR SMYTH:** Correct.

MR COPPEL: Can I pick up on a theme we haven't touched on this morning, which is counter-disaster operations and in our draft report we are shifting towards a model that would recognise extraordinary counter-
35 disaster operations, as opposed to an ordinary sense of what would be involved in the clean-up, post a natural disaster. Do you have any sense on or do you come to a sense on how to differentiate an extraordinary counter-disaster operation from a normal counter-disaster operation, in your operations? What criteria you would use to make that distinction?

40

MR SMYTH: If we had, particularly, say, in the Kuranda area, significant slips or landslides that really affected people's homes and occupations, that would be extraordinary. Current land use planning in that area sort of mitigates against that. We had some slips after Cyclone
45 Ita, in the Kuranda area. But if we had an extraordinary event and we had

some major slips, I experienced some in Cairns when I was there in the late '80s, where sides of hills just - we lost roads and roads and roads because of sides of hills. They were classed as extraordinary events.

5 **MR COPPEL:** So that would be the clearing away of - - -

MR SMYTH: The clearing away, yes. And the managing of that cycle, that area. It was one particular suburb, managing that suburb in the immediate period after the slip occurred.

10

MS CHESTER: When you're doing that as well, and we had some evidence, probably a bit more New South Wales-based than Queensland-based, about where do you draw the line in the sand between what councils should get in and do from a counter-disaster operation perspective and what you'd expect the community or householders to do.

15

MR SMYTH: Cyclone Ita. We took a conscious decision this year that with the tree damage that occurred, particularly in Julatten area, Julatten being on the top of the Rex Range, above Mossman, that we would do the immediate clear - tree clean up and debris clean up - for three days only, because in previous lives I've experienced it where residents, a fortnight later, might have a general perimeter of the property and suddenly it appears on the side of the road and the council has to take it away.

20

25 With the stringent rules about what can be claimed in during the emerging period, these days councils would end up with a cost after a fortnight. So we actually - we were very stringent this year, after Ita, we've got three days to do it, after that each rate payer is on their own.

30 **MR COPPEL:** This is on private property, is it?

MR SMYTH: Yes.

35 **MR COPPEL:** Is there any cost recovery for those operations, or partial cost recovery?

MR SMYTH: For council?

40

MR COPPEL: For council from rate payers?

45

MR SMYTH: Not from rate payers, no. So this is where residents would clear trees that have fallen on their homes, or whatever, and pile them on the side of the road. Local authorities would come along and - we, as the council, could come along and clear it away, but we had a three day window where they had to do it, after that they were on their own.

5 **MR COPPEL:** I wanted to go back to mitigation where we're proposing an increase in the fund of mitigation to restore a bit of balance between mitigation post recovery, and that would be based on a co-payment from state and territory jurisdictions and then normally that would then lead to proposals being put forward by local councils. Are there issues of capacity within councils to - given the experience with the betterment fund in Queensland, to actually submit mitigation?

10 **MR SMYTH:** In respect of Mareeba Shire, there's no - we have the capacity. I know of some councils who wouldn't have the capacity but Mareeba Shire certainly would and I think the Tablelands would probably have that same capacity. Tablelands follow me.

15 **MR COPPEL:** We can't take from the floor, I'm afraid, but I think Tablelands comes in later. Thank you.

MS CHESTER: Brian, thank you very much, they're all the questions we have for you.

20 I'd now like to welcome the Whitsunday Regional Council to join us. Thanks very much for being here today and also for your post-draft report submission that you provided to the Commission, it's been very helpful. If I could just get you to state your name and organisation, for the recorded transcript, and then if you'd like to make some brief opening remarks.

25 **MR WATERS:** Thank you, Commissioner. Scott Waters, Whitsunday Regional Council, and apologies from our mayor, Councillor Jennifer Whitney.

30 Council has submitted a document in relation to the draft report that has been put forward by the Productivity Commission. Whitsunday Regional Council has had some unique experiences in relation to our flood damage program, particularly pertaining to the 2009 and 2010 weather events. These should not be viewed, though, as a reflection on local government overall, but an issue that has occurred within a council at a point in time. We've had fairly large overspends in relation to our program and these, unfortunately, weren't advised to council at that time and nor were they advised to the Queensland Reconstruction Authority until a very late period of time.

35 That has formed how council now views our flood damage programs and what we now do for the future. It's addressed throughout the report and it's something that I won't reflect on too much because what we need

to be able to review is the positivity and where we are going for the future in relation to flood damage and where we're going. But within the report that I put forward it does detail the experiences that we've had to date. What we do have, though, are a number of recommendations in relation to the experience that we have had and hopefully - it's been beneficial for our council but I do hope that it will be beneficial for other councils as well too.

Probably the key component, and particularly pertaining to the 2009, '10, '11, these were huge weather events that occurred across Queensland and particularly our council had claims to the state Government of Queensland, in total, of \$214 million. To put that in perspective, at that point in time council's operating expenditure in any one year is only \$80 million, so you can see the quantum of funds that were coming through and those funds needed to be managed in a different manner.

So governance is probably one of the key recommendations that we would put for the consideration of the Commission, in that council should provide a governance framework, particularly when they are putting in claims to the likes of the Queensland Reconstruction Authority, of a very high level. This government's framework will then allow senior management and then also the elected representatives to be fully across expenditure and what is occurring at a point in time.

Probably one of the key elements that I'd like to be able to focus on throughout the discussion today is the day labour component and, at the very least, that regional day labour is looked at. Whitsunday Regional Council is a council that is over a very large area of 23,000 square kilometres, we have a large coastal component and then we have a very large western and semi-remote component. These two areas, particularly in relation to our road network, need to be managed differently. One has a very large sealed component, the other very much an unsealed. As a result of that, the cost and delivery of those programs do differ and in relation to being able to access contractors in a way that is going to be for a cost benefit it is extremely important. Our councils are equipped to be able to do that, our contractors are somewhat not, so that's for the consideration.

Coordination. In relation to the Queensland Reconstruction Authority, council's experience, particularly for 2011, has been one that has been extremely good, in that a single point of assessment, review and then ultimately delivery is definitely what needs to occur. The previous way that flood damage programs were managed throughout 2009 and '10, working between two different state government departments, would be

one of the issues that council would put forward as to the reason why we've had the issues that we have had as a local government.

5 Then the final recommendation that we would make for consideration would be the event categorisation and claim process, in that at this point in time a significant weather will occur, an area will be activated, depending on whether they have or they haven't been affected, and sometimes though that effect and that activation can be quite widespread but really the epicentre of an event needs to be looked at quite differently,
10 particularly when we talk about asset management plans.

We know, and there is a betterment component now, but a brand new road can be swept away just as quickly as a road that's been there for 50 years and might be at the bottom of an asset management lifecycle. That should then not be precluded from having adequate funding, as a result. That's a really clear component that probably does need to be reviewed by the Commission and that there are a number of elements to that around a cyclonic event, its intensity, rainfall intensity, duration of rainfall, floodwater velocity, where possible, storm surge velocity and duration and
15 even flash flooding.
20

When we have those significant weather events, to be able to look at all of those components will then ultimately give us a better picture as to what the likelihood of the damage and the impact is going to be. That, I believe, would give then the Commission, and obviously the Commonwealth, some more comfort as to the funding they are providing and what is being spent.
25

So that's concluding my opening remarks and I'm happy to take any questions.
30

MS CHESTER: Thanks very much, Scott, that's very helpful. I guess going to one of the key issues that you've raised around day labour and if there's one thing I think the councils around Australia agree on is that the way that day labour has been dealt with hasn't really been cost effective or made a lot of sense, particularly for remote or very geographically diverse council areas.
35

Given your experience and the diverse geography that you're managing, as a council, it would be good to get your thoughts on the feasibility or the workability of moving away from the reimbursement model, which we kind of feel we need to move away from to get that autonomy and flexibility to local council, in terms of how post disaster funding is expended. It comes back to the issues that we touched on
40

earlier, around assess damages, deemed benchmark pricing and costs for replacement of those assets.

5 **MR WATERS:** The reimbursement model is one that does cause council some issues. When you do have very large claims and the experience that we've had is that we simply do not have the revenue or the funds available to be able to sustain that. So the reimbursement model, as it currently stands, is one that is a challenge for local government to be able to fulfil, as best as it possibly can. So there needs to be a change and a counter-
10 balance in relation to the comfort that the Commonwealth would get, in relation to how we are then delivering the funds on a pre-paid basis.

15 It really does come down to looking at the individual events when they occur, ensuring that we do have the right parameters in place when it comes to unit rates and that those unit rates are agreed on, potentially maybe at a 30 June timeframe, and that's an understanding that would be put in place through potentially even the different blocks that we look at, as the state government, in relation to how they divvy up our state.

20 For example, within my local government area it would be the Mackay, Isaac and Whitsunday region, we would then look at what benchmark costs would be for unit rates and then we would be able to deliver across those. That would then take into account some of those local variances that occur between coastal and western, some of those
25 communities. They also may be affected by the resources sector. To get that type of labour to come in, outside of a council workforce, is going to be extremely expensive. Even just accommodating them is going to cause an issue. These are the types of elements that I suppose that need to be looked at.

30 If we were to be able to look at an agreement around the unit rates, I think that would be extremely beneficial and that would then allow us to be able to get on with the work of delivering, after a disaster. What we are seeing is the length of time to deliver after disasters, as well, too. So this
35 will really put us into the space where we can actually get in, get the job done and get our communities moving again.

40 **MS CHESTER:** Thank you. So for you it's more an issue of transitioning to getting the benchmark costs or the unit prices agreed, with a bit of geographic flexibility. But you see that as kind of being a working model going forward, am I right?

45 **MR WATERS:** Yes, it needs to be a working model going forward. I don't think it's something we can do cold turkey. Also the way that flood damage funding is accounted for, within the financial statements that

occur within local government. That's an area that really does need to be looked at more closely because when you do see these large amounts of money that come into financial statements, it actually quite dramatically distorts your true financial position as a council.

5

When you pull those out, you then start to see where a council may be heading, but you'll be running, potentially - and a really good example is the '12/13 financial year, for our council, we were running an operating surplus of over \$20 million. The actual fact though is that council was in a bit of a deficit situation at that point in time.

10

So they are the issues that we really need to be able to look at. It's an in globo and I do believe a transition and the reimbursement model is something that does need to be looked at, but it has to be done in consultation with all of the councils.

15

MR COPPEL: Do you have any views on who should be responsible for determining benchmark prices?

20

MR WATERS: It has to be an approach that has the QRA, the Queensland Reconstruction Authority on board, and I believe the Local Government Association of Queensland has a really big part to play, with councils, on this. They are our advocates, they have a great understanding of what we're doing but then if we were to pull it down to a regional level, our Regional Organisations of Councils, our ROCs, are very important to be able to ensure that we are all delivering on that same page. Some ROCs are more advanced than others but, given this, as an important potential delivery item, I believe that's the type of project or ongoing drive to be able to solidify some ROCs and bring them quite close together.

25

30

Overall, the Local Government Association of Queensland, then the next step down would be the ROCs. Individual councils, though, I think that would be quite different, while their circumstances need to be looked at, overall we do need to look at the bigger picture and the amount that the Commonwealth is putting forward here.

35

MS CHESTER: Scott, the other key input to that estimation process is actually who should go out and look at what the damage is and then apply that damage assessment to the unit prices or the benchmark costs. What's your view on who'd be best placed to do that and also if there was very large costs involved and some level of independent scrutiny was required who you think would be best placed to do that?

40

MR WATERS: I'll draw on our 2011 experience that we had and that was one where our original submission to the state was over \$80 million. After the experience that we had in 2009 and '10, council moved very quickly to re-scope that entire program. That program came in at a much
5 lesser level, around the \$50 million, at that point in time, and that was ensuring that we weren't delivering anything that was ineligible or out of scope.

We did that hand-in-hand with the Queensland Reconstruction
10 Authority. They had their staff on the ground the entire way and were extremely helpful. We also did that with Commonwealth inspectors as well too, where we were in a situation that there was a disagreement between council and the QRA, the Commonwealth was there to be able to look at that.

15 I do believe, though, that some of the issues that we faced, as a council, in those earlier years was due to the scope and the size of what we had to deal with and that there was a lot of consultant engineering firms that we utilised, contractors that we utilised, and while they would be
20 going out and doing what they would feel is the very best job for the council at that point in time to be able to get as much as they can, ultimately this needs to be brought into what is a more realistic model so it's sustainable across the board for the future. So it really needs to be bona fide flood damage that is put forward and showing it is being
25 delivered correctly.

MS CHESTER: The other part of our recommendations which is really important to get individual feedback from councils and regional councils like yourself is around the small disaster criterion. We know from the
30 state government numbers that over the last four or five years there is probably eight or nine events that would have been missed out if we moved from the 240,000 to the 2 million, and that would have been at a collective cost across the state for those four years, around 6 million.

35 From the Whitsunday region's perspective, moving from the 240 to the \$2 million for specific events, would that have impacted your regional council in terms of any events that you would view to be a natural disaster having missed out?

40 **MR WATERS:** Yes. Look, it would, absolutely. For us, our budget has been running quite tight now for the last two years as a result of what we've had to deal with. If we look at \$2 million and what that means for a council of our size, we currently have an operating expenditure of around about \$100 million so we've grown over those years as well. But if we

pull it back to a general rate, a general rate is only just on \$44 million overall.

5 But if we look at what \$2 million means, it's around about 2.4 per cent of our general rate and what council had done to alleviate some of the financial issues that we've had is put in levy around major projects and infrastructure. While council is not reimbursed for any ineligible or out of scope works or had to pay some funds back, ultimately what occurred was we put a mechanism in place which was a levy, and that was to pay only
10 down the debt that was put in place as a result of what had occurred, because we still had roads delivered, we still had kerb and channel delivered, we still had all of the elements that were required around that.

15 What did occur, though, was that we weren't reimbursed for it so we had to pay for it somehow; we put a levy in place. And that levy, which is just on that 2.4 per cent is \$140 per rateable assessment, that's across our local government area, because everybody was beneficiaries of some of the work that had occurred. That caused some huge issues within part of our local community and even a campaign to lose the levy. Our advice
20 was that rates will go up and they will never really come down, they will always continue to just slowly go with the cost of CPI. But a levy is in for a specific purpose at a specific point in time, that can be removed as it's needed, and it will be removed over time.

25 But that is a really strong example of what happens if the trigger that is in place or the threshold was moved to \$2 million, we would need to look at those types of provisions, or we would then have to look within our own capital works or our own maintenance budget. As a result of that though works would then be prioritised, some works wouldn't be done,
30 they'd be put off. What impact that then has, it would need to be reviewed overall, but, ultimately, we wouldn't be able to deliver at the same level. There's some elements there that, yes, definitely will cause us some issues over time.

35 **MS CHESTER:** Two quick questions if I may, just so we understand the levy that you're talking about, Scott. So, this levy was to fund a major project or it was - - -

40 **MR WATERS:** Yes. Look, in the experience of our council we had, I suppose the perfect storm would be the best way to describe it that occurred, in that we were delivering over \$100 million worth of capital projects at a point in time, two new water treatment plants, two new sewerage treatment plants and a revitalisation of the Airlie Beach main street, monumental capital delivery for a council of our size. Then, at that

exact same point in time, it was uncovered or advised to council that our 2010 flood damage program was in an overspend scenario.

MS CHESTER: Okay.

5

MR WATERS: And the QRA was saying at that point in time that that did have an eligible amount of scope works. That program had a recommended value of \$87.9 million; the final cost was \$109 million. We had to fund those costs somehow and part of the mechanism, apart from a whole range of other measures that we took with austerity measures within the organisation, and deferring some work and a whole range of things that were done, part of what we had put forward was a levy. And we put that in place specifically to be able to deal with the cost of the major projects but then also having to pay back those funds.

15

That is specifically linked to a loan borrowing of \$10 million from the Queensland Treasury Corporation that we undertook, and that revenue that is received from the levy only goes specifically to that loan borrowing to pay that down, for no other purpose. But it did lead to some angst in the community but that was a mechanism that we utilised, and it is spoken about within the documentation.

20

MS CHESTER: Great, thank you very much.

25

MR COPPEL: I wanted to turn to policy areas that can also support better risk management and natural disasters, in particular land use planning. The draft report has a number of recommendations that relate to land use planning, I'm not sure if you're familiar with those?

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MR WATERS: Yes.

35

MR COPPEL: We would be interested in getting your perspective on the issue of greater certainty of, vis-à-vis, legal liability, and also with respect to guidelines from a higher level of government, vis-à-vis, land use planning objectives.

40

MR WATERS: Look, our council is currently undergoing some major debate in relation to land use and it's particularly around the township of Bowen. And that is with regard to the point eight of a metre that's been put in place in relation to climate change and the variability that can happen around that. We have a temporary local planning instrument that is in place as a council, and that's been borne out of flood mapping that was put in place around the Don River within the late period of the last term of council.

45

Council has had this flood mapping and council has had to act on that. How it acted upon it is putting forward a temporary local planning instrument, that then has led to a number of restrictions that have been put in place around the township of Bowen. Albeit though that that is extremely unpopular, council has to be responsible in the way that it manages land use planning, deliver of homes and infrastructure for the future. So, we are putting the policy settings in place as to where we sit.

The issue that we do have at the moment is that the state government is advising that the point eight of a metre is a question for councils to answer themselves, it's not mandated. Council does have major concerns around what future liabilities may be in place, and I note with one of the previous submissions there was a discussion around the New South Wales model. Look, while that New South Wales model is quite good or would be extremely welcomed, I think, by elected representatives of Queensland in that they are making the very best decision that they can with the information that they have at the time, and that would then limit their liability somewhat.

Ultimately, we do need to be planning better. And it is one though that is very contentious amongst communities because they have lived there a long time and may have only seen a flood in the late '70s, a catastrophic flood, but it was the late '70s, it was a long time ago. The flood mapping that we have is so well defined and when we do sit down and we look at for the future is that, you know, we will see that same flood happen at a point in time, it could be next year, it could be 50 years, but something of a similar magnitude will occur, it could be worse, we could have then storm surges, could then have flash flooding on top and a whole range of other activities.

Ultimately, it is an important element for the future. Linking it though to council's ability to be able to then put a claim forward for flood damage or NDRRA assistance is extremely difficult, particularly when we have the amount of townships along the Queensland coast that have been put forward in a manner that does have a degree of risk. The movement is something that can't be done overnight, it needs to transition and take time, and there needs to be a lot of consultation, with the community involved as to the reasons why the government are making the decision, and it needs to be all three levels of government working together to be able to achieve that.

That's extremely important for the future; I think it needs to be looked at. But to link that then to funding, that is something that I think at this point in time would be a bit tough on local government.

MR COPPEL: Do you think the recommendations in the draft report would support that process or do you think that more needs to be done in the land use planning space?

5 **MR WATERS:** I think that more needs to be done, there needs to be some more consultation overall. And the experience that councils are having at the moment, and particularly in discussing with the state government as well too, because the climate change factor is one that is quite contentious for us all, to be able to have that either within your
10 planning scheme or not within your planning scheme at this point in time. The very best legal advice that we all have is that, council, you need that in your planning scheme otherwise in the future you as an organisation and an entity are potentially liable. That then flows off the back of all of the other mitigation measures that I suppose are in place around flooding,
15 storm surge, flash flooding as well too.

There's a lot to consider there around land use at the moment, it's very topical here in Queensland, particularly for the coastal councils. And LGAQ, again, I think would be a very good vehicle to have that
20 discussion, they have the Climate Change Action Taskforce, CCAT, our council is a part of that and we're working very closely with them, particularly given the issues that we are facing currently.

MR COPPEL: Just on those flood maps that you referred to, are they in the public domain?
25

MR WATERS: Yes, absolutely.

MR COPPEL: Yes, okay.
30

MR WATERS: Yes. Happy to provide that to the Commission to review it at any time.

MR COPPEL: Thank you.
35

MS CHESTER: Great. Scott, thank you very much. They are all the questions that we had, and thanks for fielding them this morning, and have been here in your post-draft submission.

MR COPPEL: Thank you.
40

MR WATERS: I appreciate it. Thanks very much.

MS CHESTER: I'd now like to welcome representatives from the
45 Tablelands Regional Council. Good morning, and welcome to you all.

5 Firstly, I just wanted to thank you both for the initial submission that you provided to the Commission before our draft report, and also the post-draft report submission that we have received from you as well, that's very much appreciated. If I could just get you each respectively to state your name and the organisation that you are representing for the purposes of the recorded transcript, and then if you would like to make some brief opening remarks.

10 **CR LEE LONG:** Rosa Lee Long, I'm the mayor of the Tablelands Regional Council.

MR CHURCH: Ian Church, CEO, Tablelands Regional Council.

15 **MR McKIM:** Ross McKim, general manager, infrastructure services, Tablelands Regional Council. We are really grateful for this opportunity to be able to present to the Commission today and for our thoughts to be considered. We think the report has positives and negatives and our comments will deal with both. Because of the importance of this issue to us I have with me the mayor and the CEO of Tablelands Regional Council, and I guess we're sort of hoping that their presence just
20 emphasises the concern that we have.

25 TRC, as a bit of background, is a fairly small rural council in Far North Queensland, up on the hills behind Cairns. We have a general rates base of about 20 million, we've got about 26,000 residents and we look after a thousand kilometres of unsealed road and 800 kilometres of sealed road, and in the middle of that we have about 90 bridges. The main industry is agriculture, with tourism a distant second.

30 TRC was originally created by the amalgamation of four councils, Herberton, Atherton, Eacham and Mareeba, and we've recently been through de-amalgamation with Mareeba. We've had a declared event every year for the last five years. Because of the de-amalgamation and amalgamations I can't give you an exact quantum of the figures, but the
35 figures have been significant.

40 Like all rural councils Tablelands is struggling to achieve financial sustainability. In the last 12 months we have reduced our establishment by over 70 positions, and when you consider we've got a total establishment of about 325, or we started with that many, you can see it has been significant. We are doing all we can, we are making savings, we are looking at new revenue schemes, we are applying for grants, we are reducing service levels, we are participating in regional contracts and we're looking for partnerships. And being in the Far North I can assure

you that we are resilient and we are resourceful but we can't take too many more body blows.

5 Our financial assistance grants have been frozen, our capacity to generate new revenue streams is limited and our community's capacity to pay more rates is non-existent. The experts are all saying that there will be more disasters in the future, and that means troubled times for us.

10 We insure what we can, we insure our buildings, we insure our above ground water sewerage waste facilities, we insure our fleet. But we can't insure our roads, our drainage structures and our bridges; they're the assets that we are very concerned about. We can leave the parks if the fundings are cut I guess, but the road infrastructure particularly is essential, particularly in our rural areas where it's the only access in and out for people, and if it was cut I'm just not sure what we would do or how they would fend.

20 If there was a large event council wouldn't have the capacity to pay the 25 per cent of the repair bill, it would mean either road works remain in disrepair for a very long time, which means people literally would be isolated, they would not be able to get produce to market, they would not be able to get in to town for supplies. I am unsure how we would manage this issue and fear it could even lead to fatalities in some of our outer lying areas.

25 In a large event we would either have to take out a long-term loan if Treasury would allow, abandon any of our capital projects for a number of years and replace them with disaster clean-up projects, or put on a community levy to fund the works which the community has no capacity to pay. We are so concerned about this issue that we engaged consultants to try and detail for you the impact that it would have on the broader community; this impact was detailed in our submission to the Commission. I don't pretend to understand the calculations but you can see that the impact is significant.

35 We appreciate that the federal government has its own fiscal sustainability issues, but devolving more responsibility and more cost down to the local government and driving them to the wall is not the answer. The Federal government has a much greater capacity to generate revenue and redistribute its spending programs to local government. And so we are requesting the Federal government explore alternatives to the proposal to reduce NDRRA funding.

40 We are encouraged and supportive of the possibility of being able to undertake the restoration of public assets using day labour resources. In

our region, the use of contractors has not benefited the wide, broader community and the quality of work is sometimes questioned. The contractors follow the work, they come in to town, do the projects, then pack up and take their profits and staff out of town. We are not retaining the skills locally and as much of the economic benefit as we would like. In our current financial position this is significant to us.

The Federal government also needs to realise that local governments are already carrying their fair share of the disaster management responsibilities. We chaired and co-ordinated the local disaster management group, we arranged community events and provided education and training, we prepare the community, we plan with the community. We fund a full-time disaster officer to undertake much of this work in collaboration with other council officers. We did have a second resource but we are now unable to afford it.

We also contribute significantly to the administration and funding of the local SES. Local government also fund the trigger point of the disaster event, and we pay for all the other local community restoration costs not deemed eligible under the NDRRA. When you tally up all these costs you will find that councils are already contributing to disaster costs in accordance with their budget capacity. We have not historically quarantined these costs to be able to give you figures and that's unfortunate, but we will be doing so in the future.

To propose a \$200 million spend on prevention is considered inadequate and needs to be distributed on risk, not on population, else the limited fund will not be spent where it is needed. These funds are unlikely to be spent on roads and bridge infrastructure at the local level, which is where our restoration costs come from.

In conclusion, we are hoping that our presence here today and our submission, along with all the other submissions from our neighbouring councils, demonstrates to the Federal government how concerned we are about this issue and the significant impact it would have on the Far North economy. We hence ask the Commission to reconsider its position and keep funding 75 per cent of the NDRRA program. Thank you.

MS CHESTER: Thanks very much, Ross, for those opening remarks and it does help us have a better understanding of the submissions that you have provided to us. And we've had a lot of discussion this morning on the 25 per cent and how that is shared across other states, so I won't sort of labour that point, but hopefully that was helpful in terms of understanding where the cost sharing does actually reside at the end of the day.

I think one of the key issues that we are trying to touch on with each of the local councils is really this issue of going from the 240,000 to the \$2 million and whether or not, based on your event experience, that would have precluded any events that you'd had in the last four or five years, and as you have rightly pointed out, you have declared one each year, whether that would have precluded any from being eligible for NDRRA funding?

MR CHURCH: Commissioner, my understanding is that, no, it wouldn't have, but I'm only speaking in terms of the TRC's experience, I can't speak on behalf of other councils or obviously the state. Most of our events have been sizeable and hence well above the \$2 million threshold. So, no, we had one small isolated event a few months ago in a town called Mount Garnet where a sort of mini tornado went through and damaged a number of properties and damaged a number of public assets, maybe a hundred thousand dollar cost, that's probably the only event that I am aware of in many years.

MS CHESTER: Thank you for that. I guess there's two issues - I mean, firstly, I'm sorry to hear that of all the events that you've had they've all been above the \$2 million, because that's the quantum of impact on your community. But I guess there's two issues here, one is trying to distinguish between what is a natural disaster event and what is a routine weather event, but then also what is sort of the quantum of figure that would really knock around a local council's balance sheet, for want of a better description?

MR CHURCH: Somewhere in the middle.

MS CHESTER: All right.

MR CHURCH: It also depends I think to some extent on what you do with any savings you make from that threshold, if it goes back into mitigation or goes back into some other pot that we can access in a different way, then I think, you know, there's a balance to be achieved.

MS CHESTER: We'll come back to mitigation and betterment in a minute. But also really good to - particularly given the area that you're covering - to get your sense and feedback on if we move away from the reimbursement model, to try to be able to deliver greater autonomy and flexibility, to having some form of assessment of damages against benchmark unit costs, upfront, within a reasonable timeframe so the Commonwealth can say, right, here is your money, go forth and expend it how you think it can best be expended.

MR CHURCH: Yes.

MS CHESTER: I guess we're trying to get, from each of the councils, the feasibility of that working for your region, and is there a timeline issue?

5

MR McKIM: Through the work that Brian has done we have some fairly good unit rates on the repair works, restoration works on our various assets. We are trying to use, in the 2014 event, the QRA numbers, but the market is the market, it's all done by open contract and the prices come in as they come in.

10

My only concern would be, as has been shared earlier, is that sometimes the - well, often, the extent of the damage is really hard to pick quickly. If there could be maybe a two stage process, a tranche process whereby there was an initial release of some funding to allow the works to occur quickly, everyone would think that would be great. I'm sure Mayor Rosa would support that because the community doesn't understand the idea and the complexity of the funding process and they just get cranky because the works haven't happened in a quick timeframe. But if there was some initial release of funds to get the work going and then a bit down the track, be it, you know, three months down the track, be able to provide a proper assessment of what has happened, you know, that might be good.

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Because we're just concerned that if, in the first two or three weeks where - what happens at the moment is there is an event and I'll get a phone call from the QRA a week after things happened saying give us a number, how much damage have you got, we'll say, look, we've got no idea and they'll say, well, we need a number, so, okay, let's go for five. And if that number is then taken as "the" number, we're in trouble; it's not how we estimate.

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MS CHESTER: I hope the transcript got that because I missed it and I'll have to read it later.

35

MR CHURCH: Can I add a comment to that, if that's okay?

MS CHESTER: Sure.

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MR CHURCH: I just want to say that we would support the principle of flexibility, we would support the principle of upfront payments and unit rates. In terms of how they are worked out, I think obviously the QRA would have to have a fairly major role. In principle, I think moving towards that model is a great idea rather than - and moving away from the

reimbursement model, as to how it's all worked out, I think there's a fair amount of work to be done on that yet.

5 **MS CHESTER:** We do want to have some more detail in our final report on transitional arrangements and timing. If you were to put a time period around working through all of that and coming up with a model that is sort of workable for the region that you represent, is it 18 months, two years, three years? If you don't know, that's fine.

10 **MR CHURCH:** Look - - -

MR McKIM: It's just the number pulling thing again, let's say 18 months.

15 **MR CHURCH:** I'd say two years. Two years.

MS CHESTER: No, no, if you don't know, that's fine. It's just if you do have a bit of an idea of how much ground work you'd need to do and how much arm wrestling with QRA.

20 **MR CHURCH:** Again, I think it's a principle. You'd want to allow a reasonable amount of time because there's complex issues to be worked through, a lot of discussion to be had, I think that would go behind this. I would go at least 18 months, a couple of years would be required.

25 **MR COPPEL:** What about institutional arrangements in terms of who should be responsible for reaching an assessment based on these benchmark prices, and how should those benchmark prices be determined and so forth. Do you have any views on sort of the institutional arrangements and how long they may also take to be put in place and be useful?

30 **MR McKIM:** Well, historically, our benchmarkings occurred, or our checkings occurred, either through the Department of Transport and Main Roads offices or through consulting civil engineers. In terms of checking whether the prices are valid or not, we can give the details to the state and Federal government about prices we have received for our own local work if you like, you know. We have rates, we have regional bitumen and asphalt reseal program figures, we know the price to purchase gravel from
40 the local quarries, you know, we could build up a number reasonably accurately and I think would stand some scrutiny.

The idea of one state-wide set of numbers probably isn't appropriate in our - because of the geographical challenges of the different councils,

maybe a regional price might be - maybe based on the rock areas might be something that works. But, yes, we could work on that, yes.

5 **MS CHESTER:** On the issue of mitigation - and I think we can all agree to agree that getting the balance right is really important over the longer term, and we did hear loud and clear from folk that for Queensland it's got to be allocated on a risk adjusted basis and a sense that the \$200 million quantum is inadequate. I guess if we're looking at what would be an appropriate quantum and moving towards that, a lot of that also depends on the governance arrangements, and we have talked about that already, 10 but also what input from council will come up.

I guess there's two streams there. One is the asset management plans that you have in place and whether or not you have an idea of at risk assets and betterment that could occur post another disaster event, and, secondly, 15 mitigation projects you could get underway.

MR McKIM: I think the council would be more than willing to contribute to mitigation projects. For instance, a lot of the grants that we 20 apply for now from the state and Federal governments are 50/50 or third/third/third sort of grants. For instance, one of the mitigation projects we have is we have a gully called Peaks Gully, to solve it properly is about \$4 to \$5 million worth of work, which is just beyond us. So, what we've been doing is, within our capacity, we might be able to contribute, 25 say, 3 or 400,000 this year so we apply for the state government Flood Mitigation Grant of, you know, 900,000, knowing that we can then fund our bit of that work, and we're hoping that over time we can solve the problem.

30 Councils would just need to do the work to work out what they could afford to contribute, it just means that something else on the capital works program gets bumped. It's like the heavy vehicle grants and the bridge program grants, all those things, if we were to be successful in our applications we'd have to bump other work to fund our share. But they are 35 priority projects for us and for our communities so we would be within our capacity trying to put in.

MS CHESTER: Yes. Are there examples that might apply to your council area where there are mitigation projects where you could identify 40 particular beneficiaries, and it comes back to the point we touched on earlier around if householders are going to really benefit through - via land asset values plus lower insurance premiums, that could provide a partial funding mechanism for some of these projects, is that an issue that has been looked at in the Tablelands?

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MR CHURCH: It's not an issue that has been specifically looked at. I guess it is possible to utilise some sort of levy to apply for a benefitted - or in an area that could be seen and identified as having benefitted from a mitigation project. When it comes to then council concern, and I think the mayor will add any comments, but council considering the practicality of applying that, how much to apply, who benefits, I could foresee some issues. But in theory I guess it may work, but practically, on the ground, I'm not sure.

MS CHESTER: Where we have seen it work, and it's only a couple of isolated cases and we're just trying to work out how much more broadly. And I know that you did have some commentary in your post-draft report submission around insurer council partnerships, it's where you could actually get insurers to say if this mitigation works is put in place we will undertake to reduce premiums by how many hundred a year, which then sort of identifies how much the consumer - that the household is better off. So, I just wanted to better understand your concerns around councils potentially partnering with insurers if that's the kind of model we have in mind for working together.

MR CHURCH: I would think it's probably purely political in terms of being able to identify the amount, identify the beneficiaries and then say, "Okay, we're going to apply this amount as a levy and you're getting value for money for this, based on a reduction in that expense in your household budget." I don't know whether council laws would go with that.

CR LEE LONG: I just wanted to say our population is fairly scattered. We've got a fairly scattered population. So if we fixed up say Peaks Gully, for example, it's only a few people that are benefiting from that. So to charge everybody in the whole area there'd be some backlash, I would think. And that would go for a lot of our projects.

MR CHURCH: Certainly, and that scattered population is an issue. I mean, if you had a large number of people in a small area that benefited from a very specific mitigation expenditure on something tangible, then maybe you could get something out of it.

MR COPPEL: Do you have the flexibility to have I think it's called a betterment levy which could be targeted to those that are actually the beneficiaries from that project?

CR LEE LONG: We're partnering in grants where we have to put up so much money and then, hopefully, we get a grant. We don't even know if

we're going to get the grants. But when we do, it's a big bonus for us. But we've already put up 50 per cent of it or whatever it might be.

5 **MR CHURCH:** The Queensland Local Government Act gives us the ability to charge a specific levy based on a specific benefit to an identified group of ratepayers, yes.

MR COPPEL: And you have used that for some of these projects?

10 **MR CHURCH:** We could potentially recommend it, but, in the end, it would be a council decision. But yes, it would be a tool that would be available. But we haven't done it.

15 **MR McKIM:** To clarify that, we are happy to work with the insurance industry. We're not planners but the state planning rules do put a lot of emphasis on these issues and I'm sure that anything that we've got they're welcome to. We'll work with them where we can.

20 **MS CHESTER:** For the natural hazard risks that you're facing and managing in the tablelands, are there any sort of gaps in the state planning policies where you've got to kind of make the judgment call with or without data that you might need to – we've touched on the sea rise issue earlier before.

25 **CR LEE LONG:** I'd just like to make comment there. Flood mapping is totally inaccurate, almost totally inaccurate. That's been placed right across the state pretty much. It's like you're flood-prone until you prove you're not, pretty much. And we have lots of hills and down dales as we are up in the hills. Yet on top of the hills you've got prone just as much as
30 down in the gullies, if you know what I mean. But, thankfully, the state government actually did fund or has been funding this year a body to go around parts of Queensland to do a – we're all level 1, but this group has gone around and they're doing level 2 flood mapping. But let me just say that they're not funded well enough to actually go on with the job.
35 They've come to our council region and they've done Mt Garnet, Millstream and Ravenshoe and Malanda – I mean, that's just a little strip like that. So they're going to get level 2 mapping and the rest of our regional council will still be on level 1.

40 I said to them, "Well, when are you going to come back and level it out right across our council area?" and they said, "We're only funded until December this year. So this is it." So we would like for the state government actually to come in and do some more of that sort of mapping because we haven't traditionally had flooding as such. We get a lot of wet
45 events but we're not a place that – where towns get flooded out like

Emerald, for example, you've heard about the highlands there getting flooded. They got flooded in 2009 and I don't know if they got flooded in 2010, but they've had a number of floods. So they've actually got levels that they can go by. But because we don't actually have towns that get
5 flooded, we don't have those levels. So we're stuck with this level 1 flooding and we can't get out of it unless somebody can afford – and we can't afford – that's going to be millions of dollars actually to get that level 2, level 3 and even better, more accurate funding.

10 **MS CHESTER:** So merit is a cost factor in terms of your regional council actually getting the flood mapping themselves?

CR LEE LONG: It's a huge cost on any council to get that flood mapping done.

15 **MS CHESTER:** What would the cost be?

CR LEE LONG: Also that relates then to insurance because the insurance companies say, "You're in North Queensland. You flood. You
20 flood every year," up go your premiums when it's not a reality.

MR CHURCH: We have had some very broad estimates – we're talking several million dollars and in excess of \$5 million, I believe. So the gap is in not so much the data but the quality of the data. As Lee said, it's level
25 1 flood mapping that we're dealing with and it does need to be improved, and I know the state is conscious of that. We've also got other overlays on our planning scheme. So we're developing a new planning scheme which is almost ready. So it has fire hazard overlays, it has slope/slip overlays for slopes of greater than 15 per cent, et cetera, as well as the
30 flood mapping overlays. So we do have those mechanisms in place. I don't think there are any specific gaps, except maybe with the quality of the overlays that we have.

CR LEE LONG: That is increasing our insurance premiums.

35 **MS CHESTER:** One other issue that we haven't touched on this morning that you do raise in your post-draft report submission is around the adequacy of our recommendations as they relate to post-disaster relief support for businesses. There we recommended continuing the disaster
40 recovery allowance which deals with the immediate cash-flow issue for businesses that are impacted by natural disasters. Partly also based on some evidence and research in the US that showed that providing loans to businesses didn't change whether or not they ultimately survived five or 10 years down the track. So just good to know if you've got some

evidence in mind of why we'd need to go beyond the disaster recovery allowance for assisting businesses post-disaster.

5 **MR CHURCH:** Can I actually take that on notice, because no, I don't have specific evidence at this stage? Would we be able to come back to you with some information on that?

10 **MS CHESTER:** Yes, as long as it's not in the too distant future because we've got to finalise the report.

MR CHURCH: No. I understand, yes.

15 **MS CHESTER:** But if you'd like to reflect on that and come back with any evidence, that'd be really appreciated.

MR CHURCH: If you don't mind, yes. My apologies.

MS CHESTER: That was the last question I had.

20 **MR COPPEL:** I just wanted to ask you a question in relation to land use planning again, because I note in your submission on the draft report that you are opposed to the recommendation that relates to providing greater clarity land use planning objectives and greater certainty vis-à-vis legal issues. Do you see the existing frameworks as providing sufficient
25 support? Is that the rationale for the - - -

MR CHURCH: Yes, I think that was essentially the rationale, that the existing – and tell me if I'm on the wrong track here – but the existing
30 review of the Sustainable Planning Act, we believe, is covering or will cover the issues that you've raised.

MR COPPEL: This is the ongoing review that was mentioned this morning?

35 **MR CHURCH:** Yes. Again, I'm not sure when it's going to be done, but I think March of next year or somewhere around then. In terms of the legal issue, the injurious affection, we support your recommendations with respect to that.

40 **MR COPPEL:** Thank you.

MS CHESTER: They're all the questions that we had to run through with you today. Thank you very much, that's been really helpful.

45 **MR CHURCH:** Thanks very much.

5 **MS CHESTER:** I'd like to now welcome Martin Cookson from the Cook Shire Council. Welcome, Martin, and thanks very much for being able to join us today and also for your initial submission that you provided before we issued our draft report and also the post-draft submission that we received from you. If I could just get you to state your name and organisation for the transcript record, and then if you'd like to make some brief opening remarks.

10 **MR COOKSON:** Martin Cookson, Director of Corporate Services, Cook Shire Council. Thank you for the opportunity to elaborate on our comments. I'll just be quick. Everyone's pretty much the same sort of our scenario today. But Cook Shire consists of 106,000 square kilometres of road network, 2800 of it in total, 2600 of that is actually unsealed roads, mostly in Cape York, and subject to annual severe climatic events. Cook Shire has been in receipt of about \$25 million a year for the last seven or eight years for NDRRA works. Most of our roads, they feed off the PDR and head towards the indigenous communities, both the indigenous councils and also individual community groups. Other areas we service are the national parks throughout Cape York.

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25 The main area we'd like to talk about would be the mitigation. Cook Shire has had two successful mitigation programs in the last eight years. We spent a fair bit of money on the Bloomfield-Grange Road. About 2006 it just fell away into the Bloomfield River. So we got NDRRA funding to complete that and then we successfully got grant funding to rebuild it. It was a major project there and we built gabion walls, sealed it all and it's – and sealed after that. In that time we had no more claims of NDRRA funding on that road.

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35 We also did in 2010, we sealed the top of the Battle Camp Range, also with road grant funding, and where that previously used to get washed away every year from the annual monsoons and cyclones, it's actually a very good road now. It has been sealed along the top, they've got large drainage in there as well. So I think that there's evidence there that we are trying to reduce our reliance on NDRRA funding. But it's just the sheer volume of water that comes down our major rivers through our cape and the reliance on the Cook Shire roads for the general communities and also tourism, which is getting a lot bigger now.

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45 We're finding that once the Mulligan Highway was sealed in 2006, tourism and visitor use and trucks just increased in volume massively and now they're actually sealing the PDR, which also puts more pressure on our assets. Cook Shire itself only has general revenue of \$3 million. We rely on FAGs grants of 8 million to support us for the rest of it. So there's

no way that Cook Shire would ever have the funds to maintain those roads in Cape York once they're damaged. I mean, if the rains and the cyclones didn't interfere, of course, it wouldn't be a problem. But that's pretty much where our situation is. Any questions?

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MS CHESTER: Thank you very much, that's really helpful. So let's start on talking about mitigation and betterment. We touched on it earlier before in terms of kind of the difference between mitigation and betterment when the natural disaster occurs. It would be good to know how your shire council has approached identifying the betterment. Has it been kind of after the event or did you have asset management plans where you knew at-risk assets and so you had in mind what changes would be required to be built in a post sort of disaster reconstruction sense?

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MR COOKSON: Basically, experience. We have asset management plans, but when you find most of your assets disappear after each wet season, it's not much point keeping records of it. In fact, the Battle Camp Range, for one, that's a major feeder in the Lakefield National Park and we're just finding more and more traffic going onto it. It was the guys after a couple of years, just identified it and said, "Look, if we can just put proper drainage in here and seal this road, nothing will ever happen to it." So it's just those discussions after the event and then it's collecting data and then submitting it to, in this case, the roads grant group, TIDS or R2R, or a combination of both, plus council to sort of say, "Okay, we need to support this submission with some of our own money," and then come up with a scenario and yes, successful that way.

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MS CHESTER: Because I guess what we're trying to think through is if there's a mitigation fund at the state government level to be allocated and that's informed by kind of best bang for the buck. It's more difficult for communities like your own to sort of have the cost-benefit analysis that's going to – because of your residents to convince that that work should take higher priority over another and whether or not having it embedded in betterment is a better way to try to do that.

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MR COOKSON: As far as mitigation, the community generally – because they live in that particular area because they use the cape themselves. The mitigation works benefited them straightaway anyway. The argument we used was let's save money in total. It's not going to cost us – I mean, it costs us money to do flood damage regardless of whether we get funded because not all of the funding we get pays for what we put into it. So yes, there's other programs we'd like to do with mitigation. But it's identifying them which are going to be a big win and not be damaged again later is the main objective. Betterment, actually,

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right about now we're sealing 11 kilometres of the Pormpuraaw Road under a betterment program. That one we tried to get for a couple of years but it took us a fair while to get the approvals through and report, as mentioned, that it is difficult and that you definitely jump through a few
5 hoops to get final approval. But we were successful there. That's going to be a good win for that community down there, having another 11 kilometres of sealed road. Sealing gives us a bit of a problem in that we have to maintain it as a council, but the benefit is it doesn't get totally trashed when you've got 3 foot of water over it.

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MS CHESTER: Martin, when you talk about getting funding for these, is that the Queensland Betterment Fund that you're talking about?

MR COOKSON: The mitigation works, that was through TIDS.

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MS CHESTER: Through what, sorry?

MR COOKSON: TIDS, the main roads, state main roads.

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MR COPPEL: Is that a separate fund from the Queensland Betterment Fund?

MR COOKSON: Yes, totally different. It's just the road grant funding. It's when you sort of – yes. Goes for a few years, you sort of identify
25 areas. But there's two parts for this. A TIDS one which is general roads and there's also an ATSI TIDS which is mainly for the indigenous communities. Like I said, because a lot of our roads go to indigenous communities, we qualify for both.

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MS CHESTER: Is the ATSI one a Commonwealth government grant and the road one is a state government grant? I'm just trying to work out who's kind of funding it for you?

MR COOKSON: Yes.

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MS CHESTER: So a mixture of both. One of the issues that we've only touched on occasionally today but it would be good to get your feedback on as well is around counter-disaster operations and to what extent that's
40 an issue in your community and where does sort of council sort of draw the line between what council does and what you expect the community to do.

MR COOKSON: Yes, we just had Cyclone Ita, of course, hit us and we came out of it quite well, mainly because the cyclone petered out a bit
45 before it hit us. We were hit by between a cat 1 and a cat 2. The

preventative measures were a very good example of how to succeed for a cyclone. Our insurance claim was only \$80,000, would you believe, after the cyclone hit us, for our infrastructure. That was mainly because all the members of the counter-disaster group came in Cooktown quite early and did a lot of the cleanups and had a lot of people on the ground ready to go. But the only downside of it after the event was actually containing all the costs and things like that. So we actually missed out a bit on costs.

MS CHESTER: We've also touched on earlier the issue around sort of benchmark costs for reconstruction activity. It'd be good to get your sense of how that works in your community with the QRA benchmark costs and whether or not it sort of caters for geographic differences up there.

MR COOKSON: I'm not keen on benchmarking, particularly when you've got such diversified areas and diversified methods of actually attacking problems. If you try to mean get one rate for – an average rate to, say, reseal a road or re-sheet a road, it doesn't work in areas like Cook Shire. You've got to know where the water is, you've got to know where the gravel is. You've got to know what conditions are. You've got to know where the campsites are. We're going to have camps 20 kilometres away from whereabouts you're working, depending on what the location is. So you can benchmark labour rates, you can benchmark plants rates, but then you've got to have some other component to sort of say, "Okay, how do you benchmark where you get your gravel from or where you get your water from or where you set up your camp or how long you're going to be in camp?" things like that. That all impacts on the final cost.

It's more, I think, getting the scope of works right. That's the main thing. I think that the reports focus so much more on improvement and not just replacement. Replacement is the biggest problem with flood damage, has been for 10 years that I've been involved in it. We embarked on a mitigation program because they got fed up with rebuilding the same bit of road all the time. So benchmarking, yes, I'm not really keen on it. I don't see how it will work, to be honest. Not in total, in part, yes.

MS CHESTER: So if we're trying to get to a system where we can move away from the reimbursement model, it's kind of working out what flexibility might be required for some more remote geographies to allow time for an assessment of damages and, I guess, having more flexibility around what those benchmark costs might be. Do you think that's feasible?

MR COOKSON: It's got a bit more complicated recently through the QRA value for money model. What we used to do, we used to send

helicopters up as soon as the wet season finished and we'd have video footage of all our roads within two or three days. From there, we could work out which were the areas that really needed immediate attention – like I said, the main feeder roads to the indigenous groups, for instance, or into Lakefield National Park, et cetera, where the rangers could get in there and clean up. But now it's ground level photographs that they need. So that's slowed it up quite a bit more. Now we have to send out two vehicles with two guys, one north, one south, and that takes about two or three weeks at least. So that's changing a bit as to how we used to function. So this year has been quite slow in our start-up time and also our assessment too. So it's getting a lot more complicated than what it was.

MS CHESTER: I guess there's two parts to the kind of autonomy down to the local council and state government level. One is how the funds are expended and day labour – and day labour we've talked about a lot. But in terms of how the funds are expended, would there ever be a situation where it just doesn't make sense to rebuild that road? The community's moved or – we're just trying to work out whether the current arrangements, because they encourage rebuilding the same road in the same location to the same standard, is resulting in rebuilding things that if you had control over that money you'd use it for something else.

MR COOKSON: No, if you knew how many phone calls we got straight after Cyclone Ita you wouldn't say that because we got hit by – I mean, the roads might not look much because they're unsealed, but, like I said, they're heading either to cattle stations or indigenous camps or indigenous shires or national parks. The problem's been aggravated in Cook Shire since 2006 when they sealed the Mulligan Highway. Once they start sealing roads more people travel on them, more people come in and live, more people want to visit. That just creates more and more need for the main road and then there's feeder roads off it. That's what's happening up in Cape York. If we didn't have Rio Tinto at the top there, maybe nothing had happened up there. But you've got Rio up there, you've got a whole town of Weipa which is interesting. So people want to go and have a look at these things. As they get up there, then they start going into the national parks, which the ranger groups are looking to generate income from. So they're creating camping grounds, generating another need for people to go in or a reason to go in there. It's an economy in itself and it's becoming bigger and bigger and more resources go into it. It's not council resources, it's state government resources and federal government resources.

MS CHESTER: We had evidence from the Pilbara mining companies working with local council on counter-disaster operations and also

actually helping with the funding of post-disaster reconstruction. Has that been your experience with the large mine or miners up in your region?

5 **MR COOKSON:** Yes, definitely they take a decent interest in working with the local governments and also our communities. It's important for them because they need to have that link.

10 **MS CHESTER:** Does that help in a sense in terms of taking funding pressure off?

15 **MR COOKSON:** We haven't seen any cash from them yet. They just assist us. The form of assistance is more in providing work for those groups. A lot of it goes to the Napranum NPA - Aurukun Pormpuraaw work though - they get work from them. If they want to get a new road built they might offer us to get on the tender list, something like that. So it's never straight cash, it's always offer of work.

20 **MR COPPEL:** Can I just come back to the two road projects that you mentioned which were funded through this road fund. Did you put in a proposal for funding under the betterment scheme?

MR COOKSON: Betterment wasn't in at that time, no. We're talking 2008 and 2010 for those two projects.

25 **MR COPPEL:** There is a national Commonwealth betterment fund, just of a different nature. Was that considered?

MR COOKSON: I couldn't tell you, I wasn't there at the time.

30 **MR COPPEL:** Thank you.

MS CHESTER: Martin, thanks very much. That's covered off all the questions we were hoping to run through with you today.

35 Ladies and gentlemen, we're going to adjourn and take a break now and we'll resume at 1.20 pm this afternoon, give you all a chance to stretch your legs and find a sandwich and then rejoin us then. Thank you very much.

40 **LUNCHEON ADJOURNMENT** [12.40 pm]

45 **RESUMED** [1.24 pm]

5 **MR COPPEL:** I invite Bill Shannon and Darlene Irvine to the table. Before you give your name, I'd like to thank you for the initial submission and also for the submission on the draft report. For the record, you could give your name each and then if you'd like to give a short opening statement. Thank you.

10 **CR SHANNON:** My name is Bill Shannon. I'm the chair of the Far North Queensland Regional Organisation of Councils.

MS IRVINE: Darlene Irvine, I'm the executive officer of the Far North Queensland Regional Organisation of Councils.

15 **CR SHANNON:** Thank you for giving the opportunity for us to speak to you. I know this is the only time you're meeting outside a capital city. So we appreciate coming to this part of the world. With our presentation today it's obviously going to be quite constrained for five minutes and we don't, therefore, duplicate in detail what's already been sent to you in our several submissions today, or indeed the submissions put in by the LGAQ
20 and some of the other councils that are in fact part of our role. We won't even be covering all of the things that are in our submission.

The Far North Queensland ROC region covers over 300,000 square kilometres and has a population of only 260,000 persons. But the gross
25 regional product is about \$12.5 billion and we have 9000 kilometres of road and over 500 bridges and major culverts. Our community's financial capacity to pay is below the state average. Between 2009 and 2014, our total NDRRA receipt was shortage of a thousand million, \$823 million received. Of course, across North Queensland we have cyclonic events
30 typically every year. I think since 2000 there've been 14 events in 14 years but some years you might get two or three and others none. Just for the record: Steve 2000; Fritz 2004; Ingrid 2005; Larry and Monica in 2006 – and Larry was a category 5 – Charlotte and Elliott in 2009; Olga, Ului, Neville and Paul all in 2010; Yasi, another 5, in 2011; and Ita in
35 2014. There'd be others as well.

But what we don't see in your report is a recognition of the restoration costs borne by councils for assets that aren't eligible. So there's a lot of
40 money spent as a result of cyclones that are nothing to do with NDRRA. I just want to put on the record that that exists. That includes, for example, water and sewerage, some of which are business units of councils, others of which are literally funded out of councils' moneys. Landfill sites, community buildings, which I acknowledge are readily insurable, like any other building, parks and foreshores. In fact, whilst these assets aren't
45 covered under NDRRA federal policies, they are essential to the

community and, as a result, restoring them comes at a cost which is not otherwise recognised. If you take into account those things, the federal government's contribution is in fact less than 59 per cent rather than the 75 that is typically referred to by everybody.

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Any devolved financial responsibility by the federal government to the state government, which is essentially what I see this exercise as being about, will have an effect on local government. Any increased burden on local councils will have a very detrimental effect on economic growth. As it is now, we are using councils that are using all of their cash and overdraft to fund restoration works while they await reimbursement through the NDRRA process. This prevents, therefore delays them from undertaking existing plant capital expenditure. That delayed renewal and capex itself costs councils with increased maintenance costs because the work is not being done, you've got more maintenance in the interim. You will have already heard from the LGAQ and we certainly endorse their remarks on that particular issue.

As mentioned in our submission, we are encouraged by many of your findings. Some of these relate to efficiencies which will mean a cost reduction into the future. So we applaud them, we congratulate you on the work you've done on the section of the use of day labour leading to wasteful spending and your acknowledgement of that. Effective planning and mitigation of risks, we agree that is absolutely essential. We agree that the hazard current funding arrangements are not efficient or equitable; we agree that is the case. We agree that there's an underinvestment in mitigation. We also agree that giving states and local governments more autonomy is to be congratulated. However, we are disappointed is probably an understatement that the main recommendation seems to focus on devolving financial responsibility rather than efficiency policies and recommendations. So we're asking you to consider further policies that you might be able to introduce based on improved business processes and efficiencies. That, in turn, will lead to reduced financial risk and the reduced exposure that will follow.

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The autonomy to use day labour and apply the funding to a better solution for the future should not come at a cost to local government. We have audit processes available to identify those doing the wrong thing. So we're not encouraging or saying that the excuses from a few doing the wrong thing should count against everybody else because that isn't the case. Most people do the right thing. Of course, local communities won't tolerate what they regard as wasteful spending, in any event. So there's an automatic test and check through the political process.

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Mitigation investment, as I've already mentioned, is very much welcomed. But, again, it should not come at the expense of communities that exist today. Restoration support is required while the mitigation grows. Mitigation should also be included as part of restoration. And our report speaks about that in a bit more detail. The recommendations give a sense that the federal government is retracting its support. This will be detrimental to investment confidence in northern Australia and be an issue for the federal governments to drive development in northern Australia.

Benchmarking of costs is – I'm in a previous life a chartered accountant. I understand benchmarking, I support benchmarking. The LGAQ is having a major impetus on benchmarking. I support that entirely. But benchmarking is often based on average costs and it does not take into consideration having to construct in a wet season, which sometimes the timelines require us to do, which means that the jobs come in a lot – very hard to do and very much more expensive because everything's got to be done by, for example, 30 June and the wet season doesn't finish till May. So you're working right through the wet season sometimes.

We're also concerned about the impact of the damage under the surface is worse than indicated. I think Cook Shire had an example where they thought a slip would cost in the order of \$2 million but it ended up with significant revetment works and ended up costing 10.5. In fact, the opposite happened in the Cassowary Coast where there was one slip that we thought might cost 6 or 8 million came in at half, for exactly the same reason; very often you don't know what it is you've got to fix until you're in the job. So that's why you've got to be very careful with the application of benchmarking. So they were the opening remarks I wanted to make and very happy to take questions.

MR COPPEL: Thanks very much, Bill. Many of the questions we'll be asking this afternoon will sound a bit like Groundhog Day because we're interested in getting the views of different councils on similar issues. With that in mind, I'm particularly interested in starting off with a question relating to the small disaster criteria because you mentioned that you've been particularly hit by a number of natural disasters in recent years. Do you know whether those natural disasters would have been eligible had there been a small disaster criteria threshold of \$2 million?

CR SHANNON: I think you can make a case very easy that the 200,000 should increase marginally. But I think going to 2 million is going to the other extreme. I just have a very, very quick example. With Cyclone Yasi we had large amount of timber down in creeks and the like. The trees drop and die, as they do, and they built up a huge bank of timber in a

5 river. Subsequently, about six months after the event, the beginnings of the next wet season, literally a raft of this timber came down a river and took out a bridge that was worth \$2 million; a direct result of Cyclone Yasi. Timber coming down, timber building up and coming down six months later.

10 That wasn't able to be picked up. But the ratepayers did not have the \$2 million to fix it. It was a single-lane bridge and we added to it to make it a double-lane bridge, which is fine when we paid the money ourselves. But the fact of the matter is because the upset price or the excess, if you like, which passed on from the state to us was around – ours was about 210,000. Make it a bit more, look, that's fine. But make it 2 million would mean that bridge wouldn't be able to get fixed. As it was, the QRA determined that six months later flow of the raft of timber hit that bridge and took it out, it classified it as a separate disaster and was therefore 15 eligible. So if you go from half a million or a quarter of a million to 2 million, that bridge is now built and put back and is double lane. That bridge would still be out today if that was – it was an excessive amount.

20 **MS IRVINE:** Can I also add in terms of our other member councils, so we've got some small ones other than the case study with Cassowary Coast. And I'll use Etheridge as an example. The majority of their events have been over \$2 million. However, they have had smaller events such as bushfires, which were under the \$2 million which they needed the 25 support for. Etheridge has about 32,000 square kilometres it looks after and 320 ratepayers. So it does have a big impact on those. In terms of determining whether it's a routine weather event or a disaster event, for councils like Etheridge and Croydon and Cook Shire for another matter, routine weather events are currently impacting on those communities as it is at the moment in an equivalent manner as disaster events. It's mainly 30 due to the current funding sources not being sufficient for their infrastructure sustainability requirements. Disaster events have a far greater impact on remote regions than regional areas due to the tyranny of distance as well. So the cost is sitting there. And the lower base level of infrastructure as a whole that sits out in those areas. So it will have an 35 impact.

40 **CR SHANNON:** The state level will not necessarily impact on what the state does to the local councils. Whilst I said the Cassowary Coast is 210, various other councils have different levels. So, really, that's your relationship, I guess, with the states – it's the flow-on effects from that, from your decision-making, that may well affect those fees that we pay, the excess that we pick up first. NDRRA is essentially our insurance. We pay the excess and the rest is picked up 25:75 under the existing 45 arrangements. So the excess for every local government varies according

to their size. Etheridge being a smaller council – some of them as in the case of Etheridge and some of the people in the gallery, their excess would be no doubt lower, significantly lower, and they've got a very small number of ratepayers.

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MR COPPEL: When you say it shouldn't be 240, it should be more, but it shouldn't be as much as 2 million – and I admit there's a certain degree of arbitrariness – but how would you think about then what would be an appropriate threshold? Are there any sort of principles or criteria that would inform such a judgment?

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CR SHANNON: As I say, you're talking about agreement between the state and the Commonwealth. I would have thought that could be arguably suitably higher. But when it comes to what the states apply to us, that's where local governments, particularly small local governments and isolated ones like in the FNQROC, would be really seriously affected. So if you can – and you can't – guarantee that if you take it to 2 million to the state, the state isn't going to apply significantly higher ones to us. But if it's a more modest increase, the argument for them to leave the existing arrangements with us is stronger, I guess. I'm worried about the flow-on effects from what you do with the state.

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MR COPPEL: Certainly the message that's coming in from a number of the submissions on the draft report that there's implicit assumption that what changes at the Commonwealth level will flow through to the local council level.

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CR SHANNON: That's true. That's certainly the response of the state government, but obviously I can't speak for them. But I do know that the main – that the reasons that there's actually a lot of angst in the north about this is the effects that are going to happen to the local governments because the state doesn't have the capacity to pick up all of that drop from 75. And I'm making the point that you're not at 75 per cent anyway, really; in essence, you're under 60. And you've got 83 per cent of the money from ratepayers.

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MR COPPEL: I would also point out that in our terms of reference we've been asked to look at the national funding arrangements, so how the state jurisdictions then interpret their relations between that level of government and the local government is not directly in scope for this inquiry.

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Could I then turn to another important issue that you picked up on in relation to flexibility to be able to spend resources in the way in which is seen as most efficient. The current model of reimbursement has

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prescriptions on how those funds are used so that there's a certain degree of accountability. In our draft report, to be able to address the issue such as day labour and inefficient spend associated with such rules, we've suggested that we move away from the reimbursement model to one which is based on assessed damage.

You raised a number of practical issues that would complicate having such an assessment. I'm interested in getting a sense from you as to whether those practical issues are ones that could be resolved with a process in place that would seek to address answers to those issues or whether you see it as really being something which is not likely to get off the starting block.

MS IRVINE: The devil will always be in the detail in terms of how that goes around, because once you start construction or set out a tender and accept that tender, you can't stop it halfway through wondering who's going to – when you find further damage under the surface, who's going to fund this, who's going to pay for this? Particularly in the case of Cook Shire some years ago where they started out with a \$2 million project and it ended up being a \$10.5 million project. Once you start, you can't stop that. It becomes a very high risk for that local government area.

CR SHANNON: I made the point earlier in my opening remarks it actually goes both ways. In a couple of cases I can recall we've got jobs coming in way under what the – in fact, overall, in the Cassowary Coast's case we're under what it was we thought would be spent. So it does actually work both ways.

MR COPPEL: One of the issues there is then that the risk of under or over assessment is borne by the state jurisdiction and indirectly through the local councils. But it also gives that flexibility and a sense as to whether that risk is more than compensated by the greater flexibility. To get a sense of that, I don't know how frequent – we've heard a lot about over-assessment, we've only heard from you about underassessment. But it would be interesting to get a sense of, on balance, where does it fall.

CR SHANNON: I can probably give you some figures when I come up again in half an hour's time with my Cassowary Coast hat on because I think the CEO has got some of those figures there.

MR COPPEL: That would be very helpful. You also made a suggestion in terms of another way of getting greater flexibility without necessarily moving away from a reimbursement model would be to focus on improved processes of administration of the funds. Could you give some examples as to how that would deliver benefits?

MS IRVINE: Between the federal and state government there's so much duplication in terms of administering the funding and then the actual process of delivering the projects there's significant amount of to-ing and fro-ing throughout the process. I actually got one of the – and I don't know if you want me to read it – consultants doing NDRRA projects to go through the whole – I said, "Write out the process for me in terms of to start and finish." In that was also identifying where the cost risks come to councils or to state agencies in that process. Because we might start out with a project that costs \$2 million or it's scoped out to cost \$2 million but the council won't get that fully reimbursed. So it's all of that cost money throughout that process because you have to use consultants, which is at the centre of the whole day labour issue. So it's the whole package of how do you streamline getting the support of the funding from the federal government to on the ground. Arguably, that is best streamlined from those who own the assets on the ground.

It may be that the council needs to reinstate that asset and then they may be able to do some mitigation works associated with that, which can be identified – we can do the process of identifying those areas based on history. And that is then funded. Or, as an alternative, the council or the state agency can go, "Well, hang on a minute. There is a better solution than replacing this asset and it's doing this over here," and coming to an agreement. The agreement may be based on benchmark costings of how much this would cost as to how much is invested into this alternative solution. So there needs to be potentially different options to be able to allow that flexibility. But that autonomy rests with the asset owner on how to best apply that, best deliver that. Then the process from getting it from here to here needs to be streamlined.

CR SHANNON: Another aspect of that probably just referring to is the fact that – especially in the more recent events, the goalposts seem to be constantly moving. Just administering that and getting on top of it and knowing where you stand, it's virtually impossible. If that turns into an argument that councils are trying to milk the system because they put in an ambit claim, I mean, that's – the whole process of it – you won't get it unless you ask for it. So there's an incentive in there not to cheat the system but there's an incentive in there to make sure you're not disadvantaging yourself when you put these things in. Of course, the Commonwealth and the QRA come back the other way to make sure it's not being abused. And I've got no time for abuse. I think 120 million for – I think the QRA out of 120 million, they're questioning 77,000. I mean, I read in your report about how it's being abused. People will always rob banks. But I don't know that you can paint everybody with that same brush.

MS IRVINE: Prior to the QRA the councils used to go out with the local DMR – Department of Main Roads – representatives, have a look at the damage, assess the damage. They used to give them the authority to go
5 ahead and do the works and they used to pay on the cost. There wasn't the argument or the fights over what was deemed in scope or out of scope because there wasn't enough money and you wanted to try and squeeze as much out of it as you possibly could. The process was a lot quicker and a lot simpler for everybody and everybody knew where it was. If they
10 decided to change the process they would have those conversations with the councils that are regularly affected and go, "Well, this is what's changed. This is what's happening. This is how we need to deal with it." So then councils could then work or function knowing what was in and what was out.

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MR COPPEL: The NDRRA determination is provided by the Commonwealth Government and it's there to ensure certain accountability for the funds that the Commonwealth provides. The mechanisms you have described are mechanisms that within the state jurisdiction. How
20 would you then achieve a certain degree of accountability for the Commonwealth? How would the Commonwealth feel comfortable with how its resources are being used in the absence of any determination or alternative approach provides that degree of autonomy?

25 **MS IRVINE:** Audit processes will pick that up. If somebody's doing the wrong thing, it'll be picked up very simply, very quickly if you can't justify what you've done. At the moment, it's so nervous for councils and for state agencies that they're going out and having to take photos of absolutely everything because if they don't have a photo, they won't get
30 funding. They'll lose out on \$100,000 because they don't have that proof. There's a lot of money going into making sure every I is dotted and T is crossed and it seems to be overzealous for fear. It's tough.

35 **MR COPPEL:** Could I move to the second set of recommendations, if you like, in the draft report which are sort of policy areas that support disaster risk management like land use planning. There are a number of recommendations there that relate to providing better guidance to local councils on objectives of land use planning, on providing greater certainty in terms of confidence and making decisions about undue legal risk. We
40 would be interested in getting your feedback on those recommendations.

CR SHANNON: We support them.

45 **MS IRVINE:** We supported all of them. In terms of the guidelines and that sort of thing, we think it's really important that either the federal

5 government or the state government needs to lead on those issues. It needs to stand up and say whether it's going to fight or flight so that the local governments consistently will follow the same process. It's where you don't provide that leadership and that guidance at the federal and the state level is where we run into trouble at a local government level.

10 **MS CHESTER:** We heard earlier today about the process underway for the review of the State Planning Act. It would be good for us to get a better handle on how local councils get involved in that review and what are your expectations, I guess, because that's going hand-in-hand with what we're recommending. That'll be partly how it will be delivered.

15 **CR SHANNON:** There is a state planning process and there is underneath that every local government area has its own planning regime. As you'll be well aware, the state government has dropped their requirement to account for 0.08 per cent of a metre sea level rise. I'm told that local governments who put 0.08 in their planning schemes will have them rejected by the state. Regardless, decisions made by local councils still have to take into account the world's best science. So it still is the case, if you want indemnity in the courts, that you apply 0.08 per cent in our own planning decisions, notwithstanding that mightn't be in the state requirements and it mightn't be in our own planning schemes. Local councils still have to take into account the world's best knowledge.

20 **MS IRVINE:** In terms of the state, there's been significant planning reform over the last two years or since the government came in. It has been overwhelming for councils, particularly those outside the South-East Queensland that don't have the resources to review the state granting policies, going from however many down to the one state planning policy, to review local government, to review the changes made to the Sustainable Planning Act. Now they're bringing out a new Development Act as well so that that draft has come out for consultation. All the while all the councils are trying to develop up their new planning schemes and trying to feed in this information and out this information and then we have the local government infrastructure plan. So it's really hard to provide informed consultation with all this change happening and it's all here, there and everywhere. So it is really difficult for councils to feed into that process.

30 **MR COPPEL:** One of the issues in Far North Queensland relates to insurance affordability and high insurance premiums have consequences for non-insurance or underinsurance. In the draft report there are a couple of recommendations that sort of indirectly try and ease some of those issues. One of those is greater collaboration between insurers and local councils in terms of identifying mitigation options that may have an

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impact on a lower insurance premium. We'd be interested in getting your view on that specific recommendation.

5 **CR SHANNON:** That's a very interesting one because at the moment insurance companies apply premiums on the basis – we're talking about householders insurance here, not public liability insurance.

MR COPPEL: Yes.

10 **CR SHANNON:** Or insurance for roads or any of those sorts of things. You're talking about ordinary householders' individual insurance. Insurance companies apply their premiums on a postcode basis. If they started to get more sophisticated and apply a factors for risk – in other words, if you're right on the beachfront you're going to pay significantly
15 more and the like – then that gets away from the whole principle of insurance, which is to spread the risk amongst large numbers of persons. But councils' own assets that they're insuring – just householders'-type assets – the premiums for that across the Far North region would have doubled and doubled again in the last four years. There's been a massive
20 increase in premiums paid by people and that does run the risk of there being large numbers of persons who've got no insurance on their properties. And even people who have mortgages don't because the banks aren't checking up whether they've – which is a requirement of the loan, of course – they're not checking up whether that insurance has been
25 renewed.

MS IRVINE: Happy to work with insurance companies, however, what mechanisms are there in place to ensure that they're passing on savings to the policy holders? That's my concern is that we may invest time and
30 limited resources into this but they're not going to see the benefit. It's the same, I guess, with our infrastructure and new developments where councils will fund or subsidise infrastructure, but how will we guarantee that the developer passes on those savings to the purchaser? The same applies with insurance companies. I'm really, really sceptical of private
35 enterprise not benefiting from our work.

MR COPPEL: But there was the example I think that was presented to us – I think Emerald – where the only insurer withdrew. But if a mitigation levy had been installed, then there would be a commitment to
40 re-enter that particular market. Now, I don't know if they are contractual obligations. But there have been examples where you're sort of moving away from the horse and the cart – trying to put the horse in front of the cart and it seems like there's a lack of trust to be able to move to a situation where there could be improvements in the way in which hazards
45 are treated or the risks of those hazards are treated.

CR SHANNON: That is true; you can mitigate some things easier than others. As you're probably aware, I think most western towns in New South Wales had levees put around them 50 years ago. That's something
5 in Queensland now; better late than never. But you can't put a levee around Cardwell, where the water from the surge from Cyclone Yasi came through at the height of the ceilings of single-storey buildings. If that happened to Cairns or Townsville, or indeed anywhere other than a very isolated place, as it turned out, the effects would be catastrophic and the
10 cost to rectify it would be millions and millions, indeed hundreds, even thousands, of millions. To say that the local ratepayers are going to have to bear it or the – and even the state – is just incomprehensible. It is tantamount to saying you could forget development in northern Australia it is that serious.

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MS CHESTER: The issues you raise about insurers following through and making sure that the premiums are reduced, we kind of touch on in the draft report in two ways. Firstly, if it's a mitigation spend upfront where we're trying to get ratepayers to partially fund it, we're saying
20 there'd need to be an undertaking from the insurers to reduce premiums by a certain amount. That would be an agreement that's struck between the local councils, state government and the insurer. The other issue – and I think we've probably covered it more in an information request than a draft recommendation at this stage – is that if the Commonwealth
25 Government is going to be stumping up \$200 million or whatever figure is arrived at and that's matched by state jurisdictions, what do we need to put in place to make sure that benefit goes through ultimately to the communities in terms of where it should be captured in lower premiums?

30 **CR SHANNON:** We essentially agree with the thrust of that argument, but just making the point that mitigation won't work with coastal communities when you've got that sort of problem. That's only got to be part of it. It still doesn't solve that problem for coastal communities. I think our opening remarks said we support the concept of mitigation, we
35 support the cost sharing that involves. But it's also an issue of timing because the mitigation should come so that the benefits can arise. You shouldn't take the rug out before you – or at the same time as you put the mitigation in. One should happen first, then the results will flow from it.

40 **MR COPPEL:** Can I finish up with a question on hazard information which links back to your comment about insurance being priced on a postcode basis? It's been put to us often that if there is information that can be used to assess a risk in a more granular level, such as a flood map, for instance, or a bushfire risk map, that could be information that would
45 be able to price these things on a more granular level which would provide

also a signal in terms of how individuals may be able to put in place certain changes to strengthen the resilience of those private assets.

5 **MS IRVINE:** If that mapping is detailed though. And that's the problem is the mapping isn't detailed enough or the mapping that we get to include in our planning schemes for other loans is not detailed enough.

10 **CR SHANNON:** It does vary. Some councils have got very good mapping information on flood levels and indeed inundation from sea level rise and the like. But different councils have different levels of information. The levels of information in the last several years has increased significantly, there's much more information available. But if you think it through though you're actually saying to half the people that live in Cairns and Townsville that you may not be able get insurance, then
15 you probably shouldn't be living there and councils shouldn't even be approving a subdivision or approving a chook house in the backyard because it's going to wash away. Rightly or wrongly, these towns and cities are where they are. We desperately need the assistance of the level of government that makes most of the money in the event of really
20 significant damage to help. It's really as simple as that. Insurance and premiums will only be a part of the solution.

MR COPPEL: Thank you very much.

25 Our next participant is the Central Highlands Regional Council. Again, thank you very much for your submission on the draft report and also your earlier participation in the Brisbane roundtable that we held in June. If, for the transcript record, you could give your name and organisation and if you care to make a short opening statement. Thank
30 you.

CR MAGUIRE: Can I just thank you for the opportunity. Peter Maguire, Mayor of the Central Highlands Regional Council, which does include Emerald. So I'll come back to the question before about
35 insurance. But first off, so you've got our submission. We've tried to answer some of those references based around the recommendations and support local governments generally throughout the whole state. Some of our issues are different across regions. We've heard from the guys from Winton earlier. Their issues are different to ours. But those fellows are in
40 a different situation. Just for the record, we're an amalgamation of four shires, 60,000 square kilometres in area, about 33,000 people, 14 rural towns and communities, a road network of over 4000 kilometres, 3000 kilometres of gravel, about a thousand kilometres of bitumen, and a workforce of around about the 500 mark, which is changing rapidly.

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5 Our region has been through a couple of significant events in the last five year, so whilst the insurance companies will tell you that we've had a number of them, there's been two events since 1950 that have been significant - what I would say that would have impacted on the residential ratepayers, in particular.

10 Yesterday, in Mackay, the Minister for local government made a statement, basically around the fact that state government will not have the capacity, and does not have the capacity to pay an additional 25 per cent of - and we can debate about how we get to the figure - but 25 per cent if the figure from the feds is dropped from 75 to 50.

15 So the insinuation there, and a comment was made about it could finish up down with us. So can I just categorically state that in my belief, on behalf of all local governments, that certainly we don't have the financial capacity to pick up the state shortfall, so we'll be in dire straits. Whilst the feds and state government may well be in financial trouble, you'll find more of us in financial trouble in the state of Queensland.

20 We would like to say that the increase in mitigation funding is great, from \$40 million to \$200 million, however I could give you a number of examples where our shire can spend that \$200 million. So I've got a number of mitigation projects and other things that we could do and we could certainly put a case to spend \$200 million ourselves. It might sound a bit far-fetched, but we could certainly build a case, and in the case of some of the betterment stuff, we built cases and we've got 13 projects that have been approved for betterment, six are completed, they're almost up to \$3 million of those projects, but I could go on to larger projects to get funding out of that \$200 million, including some state bridges, some mitigation measures around Emerald. So the quantum of the money really is a concern for us and needs to be looked at.

35 Can I just address the insurance issues? So to give you an example, this week in Emerald a lady had - her insurance was previously \$1200 and she got a bill this week for \$6600, now that's a 500 and - my maths isn't good, Bill's the accountant, but 500-odd per cent increase.

40 So with the insurance companies, I think they've been saying that if you put mitigation measures in place they will reduce the premiums by 30 per cent is one figure I've heard mentioned, so that's very generous. When you've gone up 550 per cent and then they say - so that's \$6600 so they reduce that by 30 per cent, that's still \$4400 for household insurance. That story is common in our town. That insurance company, Suncorp, have stopped issuing new policies in Emerald for a number of years. 45 They were the first company, in September 2008, to include full flood

cover in their policy and they made that as a result of the event we had in 2008 and some of the issues around the controversy about what was the definition of flooding and all that sort of stuff.

5 So I think the insurance companies are holding a gun to our head, to our community's heads and everyone's heads about their commitment to the process in that they will reduce funding by 30 per cent when they've already put it up by 550 per cent or 600 per cent, or 700 in some cases. So that's must some of my opening comments.

10 **MR COPPEL:** Thanks very much. Maybe I can also ask you the question, in relation to the small disaster criteria, do you know if that criteria had been set at \$2 million, whether there would have been natural disaster events in your council area that would have been excluded because they were less than \$2 million?

15 **CR MAGUIRE:** I think there's only been one and I think that's on the sheet there, one figure was \$1.8 million, I think. So there would have been one event out of four that are listed there. We haven't listed the 2008 event, because we were getting amalgamated at the time. That was under the former councils, before we got amalgamated.

20 **MR COPPEL:** So the bigger issue is the transfer of cost from the state government to - well, the fear of a transfer of cost from the state government to the local government, in the event of a change in the actual cost share, rather than small - - -

25 **CR MAGUIRE:** That's what I heard the minister say yesterday. So in different words to what I just used, but he was saying they don't have the capacity to pay for that additional 25 per cent. And what I'm saying is, "For God's sake, we don't have the capacity." We have a particular rate base and we're probably - our council is in a better situation than maybe a lot of others in the room, including the western Queensland ones, however that being said, any increase - I can give you an example. Our rates we've just done we've increased by 1 per cent. We are really trying to keep our rate increases down and we are one of the 10 in the top 10 - not proud of this - highest rating councils in the state. So we need to look at our cost base, our structure so that's what we're doing. So 1.1 per cent increase in general rates this year, 1.8 per cent last year. We are trying to keep that down. Any further imposts on us, from another level of government, which is normal, but what I'm saying is we just can't afford to pass it on to our ratepayers.

30 **MR COPPEL:** The fundamental goal of this inquiry is to look at ways in which the overall costs of managing natural disaster risks can be reduced

by having arrangements that achieve efficiency gains. One of the areas where there's been a great deal of identified waste is in relation to the use of - or very prescriptive conditions/requirements over how day labour can be used. Also, in relation to the balance between mitigation and mop up, following a natural disaster. So there are a number of potential areas which we've identified as ways in which that goal of better managing disaster risks could be achieved.

On the efficiency gains, in terms of less prescription, greater autonomy to how money is used, it does depend on - we consider that it does depend on moving away from a reimbursement model. That would unlock a lot of the potential to an assessed damage approach. Do you have any views on that part of the draft report recommendations, in terms of feasibility? In terms of the arrangements that would need to be in place and also maybe in terms of the potential transition path?

CR MAGUIRE: I must say I haven't looked at that in depth, so I think what I would say is that from my point of view and our council's point of view, we would be looking at everything, so looking at any proposal. I think there are pros and cons for either side of the argument, I guess you'd say, so that'd be something we'd have to look at, in depth, I'd suggest.

MR COPPEL: Maybe if I can move to counter-disaster operations. You made the point earlier that you're trying to make a distinction between routine operations of councils and the extraordinary operations that follow a natural disaster. How do you distinguish what would be a routine operation of a council and those operations that are explicitly linked - those associated with a natural disaster?

CR MAGUIRE: So you implement the clean-up process after a disaster and I refer to Emerald's situation in 2010/11 event. So after the event, and we had 1100-odd properties inundated, so we actually - the resources companies had blokes who couldn't get to work, there was other people around town who went and helped people, in a lot of cases just stripped the houses, they put it all on the footpath, all their stuff that was destroyed, and we went around in council trucks and workforce and some of those - another company actually provided their workforce and trucks, because they were from a resource job, and they cleaned up the town in a few days. So that was done in the initial part of it. Then basically people - so we got all the town done within five days and had to make provisions to get all that taken to a waste facility, a landfill site, and then after that it was up to the residents.

There are plenty of community groups and organisations and, as I said, people from other companies and all walks of life that go in and help

people anyway, so the community just pulls together. One of the companies involved and, like I say, the workforce people from the resource companies, they're getting paid by the company and because they couldn't get to work they're out there doing that stuff, as are other members of the community so it really costs people nothing, that part of it. But the clean-up cost people money but some of the companies, like as I said before, just did it, they didn't want any compensation payment for it.

MR COPPEL: So from the council's perspective they would cover things like overtime?

CR MAGUIRE: The council would have paid our guys, our people, but it was just part of their normal work - well, it's not normal but part of their job. Yes, they were just helping clean up the town, so we certainly covered that. As I said, we had to get a larger landfill site to put that much rubbish waste in it.

MR COPPEL: Are there elements of that work that normally may be seen as being the responsibility of the house owner, but is it the fact that following a natural disaster it's a natural wish to get things back to normal as quickly as possible that drives the intervention from the council?

CR MAGUIRE: I think that's it. And people are already psychologically impacted so the more that you can get out there and help people to try and get back to some semblance of normality, the more you can do then I think that's better for the whole community and, in particular, people's psychological welfare.

We also had an event in 2008, so we had a couple of hundred people that were flooded twice in a few years as well, so that was an issue, especially for those that had been previously impacted in 2008 and then again in 2011.

MS CHESTER: Peter, am I right in saying, from my own experience in 1974, that there's also kind of public health and safety issues when the floods have gone through and inundated houses? Because one way of dividing a line between what you'd expect a householder to do versus what a council would do is if - clearing it out very quickly is important for public health and safety reasons. Is that a factor in your community as well?

CR MAGUIRE: Yes, it is. So that's why I think you get in and get rid of the stuff as much as you can. But people went in - we didn't pay people to go in and help clean up in houses themselves, they put all the rubbish on the footpath and then we'd go and clear it to get it out - out of

sight out of mind. But there's that issue as well, about - and it could be old foodstuffs lying around when there's power been off for a number of days so you just don't need that lying around. That's what you're referring to?

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MS CHESTER: Yes. That sort of thing, yes. You mentioned before that you'd be more than happy to spend the \$200 million of mitigation funding in your original council. Two questions that follow from that; the first one is, we're recommending that that would be matched by a state jurisdiction - - -

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CR MAGUIRE: We would be in it too.

MS CHESTER: There'd be a collection of options there. State government probably picking up a large part of the tab and some local councils and potentially some private rate payers, if that can be arranged. So it would be good to know, firstly, the appetite for your original council for partial matching of some of that funding for mitigation projects and then how do you go about prioritising the projects that you have identified?

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CR MAGUIRE: If you're talking about a funding arrangement between three levels of government towards a mitigation project, and I must say this is only an example that I can use and the figures are not real figures, necessarily. But if we're looking at it - so we're working on a mitigation project for Emerald at the moment. So just say the figure is \$100 million, right? So if the figure is \$100 million, we get 40 off the feds, 40 off the state and we put in 20, you're asking me how would be cover for the 20. So obviously we can go and borrow the money and pay it back through the Queensland Treasury Corporation.

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The other option we do have, as people mentioned before, we can special rate people, under the Local Government Act. So you could, essentially, say, "Well, as a result of this mitigation measure" and I'm not saying this is going to happen but, "As a result of that mitigation measure it's going to cost the council \$20 million, it's going to save the residents in particular houses the supposed 30 per cent less in insurance premium, but for us to pay back the \$20 million we'll borrow it but special rate each property in the town." That would be one thing that you could look at. I'm not saying it's going to happen, it would be a political decision and for some council's maybe political madness. But, if you could sell it, as I would say, along the lines that, "If we do this you're going to have to pay this but your insurance premium, potentially, could go down 30 per cent, \$2200, but this is going to cost you \$300." I'm just talking rubbery figures.

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MS CHESTER: So for us to just get a sense, so the idea of if it's a mitigation project that you think is really important for your community, a 40/40/20 split is kind of what you're thinking of?

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CR MAGUIRE: Yes. That's just me just talking - I'm just talking \$100 million, 40/40/20. But nothing for us is better. All I'm saying is that's - this is not a council decision that's been made, I'm just using it as an example that potentially people could possibly look at. Not all councils would look at that. It would probably be political suicide for some.

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MS CHESTER: You said that there were a number of potential mitigation projects that you were looking at, how do you prioritise which one is first cab off the rank?

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CR MAGUIRE: For us, for example, if we don't do the mitigation project for Emerald, then I can tell you that I sit as the local disaster management chairman and make a decision and I almost had to make the decision in the 2011 flood to evacuate the whole of the western side of Emerald, to the other side of town, but we lost them. We had already lost our road bridge and we had then lost the rail bridge access.

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So what we really need is an evacuation route to get those people out of town, because you can't get out - I would have to show you the map of where everything was cut, but we just can't get out of town. So if you don't make the call early enough to get people on the traffic bridge, or on the rail across, then we've got a big problem. So potentially we had 7500-8000 people on one side of town that couldn't go anywhere and water could have gone, and based on our defined flood event, which we've done now, we could flood the whole side of town with a new defined flood event level that we're looking at. So that project, to get an escape route out of town, I call it, raise the bridge in town, could be \$100 million. These are just me talking, not an engineer. People have said, "Well, we won't spend that much on main roads, because it's \$100 million." Well, they can spend billions in Brisbane, so what about us.

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MR COPPEL: Just on that point; it's been often raised with us that state governments and local councils spend a lot of money on mitigation but it's not accounted for as mitigation and it's counted as other expenditures or other investments. My question then is, in these road projects that I think you mentioned in your opening statement, do you also tap into other funds that can be used to fund those projects?

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CR MAGUIRE: Council have a number, as well as our own general fund and capital works budgets we set, we have funding programs through

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TIDS projects, through the Transport and Main Roads Department. There are obviously opportunities potentially going to come up to apply for funding through other federal government grant programs, or if the sale and lease of assets in Queensland happens, there is potentially money available for roads on some of those. So they are all funding options we have available. Plus the federal government funds us, under what they call a Roads to Recovery Program, so we could use some of those funds to go towards some of those projects as well, so you could do a combination.

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10 **MR COPPEL:** Have they been used in the recent past for those - - -

CR MAGUIRE: I know, in our case, so our betterment projects, in some of those cases I think they like you to put 10 per cent in. We put in 20 per cent into one of the projects, so we got, as I said, 13 projects under the first two rounds. We're looking at another project now, which we'll put in around the 20 per cent, offer to put in over the 20 per cent in towards to get the funding towards the project, subject to our friends being generous. QRA I'm talking about.

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20 **MR COPPEL:** Could I move to a point that you make in your submission on the draft report, that you agree with the tightening of the Australian Government Disaster Recovery Payment, and also that there should be eligibility criteria that are legislated. Do you have any views then on what eligibility would represent fair criteria?

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30 **CR MAGUIRE:** I think the concern we had was that when the federal government turn up to assist the communities, which is fantastic, you can go them and get up to \$900, or whatever the figure was, just because you lived in town, because it had been declared a disaster.

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40 What we would be saying is you have to have clear evidence off the disaster management group, or someone on the council, that your house was, firstly, flooded above the floor level, I would say. That would be what I would be thinking. That you have been directly impacted, that your power had been off for 24 hours, you lost all that sort of stuff. They're criteria that I'm just thinking about on the run, but people would have to look at that. There needs to be something done and there are potential savings then there for the federal government to put into more betterment projects. I can call them betterment projects, but more mitigation projects as well. That's what you're referring to?

45 **MR COPPEL:** Yes, thank you. Do you have any views on the actual level of the payment, because, again, that's another area where we've looked at other benchmarks, in terms of payments, in times of crisis?

CR MAGUIRE: I suppose it could be means tested, but that probably gets a bit messy when you're doing that on the run. No, I haven't got a - yes.

5 **MR COPPEL:** Maybe if we can move to those areas of policy that support disaster risk management that are relevant to local councils, such as planning. Again, we've got a number of recommendations there that aim to provide greater structure around planning decisions made by councils, those difficult planning decisions. Do you have any views on
10 those recommendations?

CR MAGUIRE: Just generally I would say that - we're doing a new planning scheme at the moment, so we've settled on what I call a defined flood event. So where one per cent of the AEP plus 20 per cent for - the terminology is not exactly like this, but for climate change, but for rainfall change or whatever.
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So it's an extra 20 per cent on top of the one per cent. We need to understand that Emerald is built on two sides of a river so as was said before, you're not going to shift some of these towns, whether it's Cairns or Townsville or us. People built on rivers for reasons, going back to the 1800s, that I wasn't there to check on them, so some planning decisions that get made now are based around the best available data we have. So our council certainly has, in the last few years, developed a lot more flood data and a lot more information to assist us and as part of our town planning project, getting our new planning scheme for the whole amalgamated shire down, a lot of work has been done on flood planning management stuff and we have spent many hundreds of thousands of dollars, probably over a million dollars, doing some of the work we had to do, to help get it right.
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In the end you would prefer not to be built where you are, but the fact is we are and we have to manage that. There are some areas of our town where, as I said before about the insurance companies, these increases in the insurance, the house is never going to get flooded. If it does, the Fairbairn Dam breaks, which I can tell you is a catastrophe, is a catastrophic event. So if our dam out there breaks then the whole town gets full of water. But those planning decisions are based on the best information we have at those times and now we have more up to date information, based around a lot of the modelling we've done. So we're certainly in a better position to deal with it, from a planning point of view and from a disaster management point of view.
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MR COPPEL: From a planning point of view, with that better information, you would be able to make decisions on whether there'd be new development in a particular high risk area?

5 **CR MAGUIRE:** Yes.

MR COPPEL: Are those decisions ones that are able to be made without fear of being contested?

10 **CR MAGUIRE:** That's obviously a concern, so I think people were talking about it before, and I think it needs to be written in legislation to protect councils from some of those potential litigation matters. I think that's the only way that we can be protected because certainly some of the decisions we make, even in adopting our new planning scheme, there are
15 people who have invested in particular areas of town that are now not going to be able to do what they anticipated, or in some cases they've probably got an approval in place. You'd like to be able to swap that as well, but that's a lot more difficult. So there would be potential for compensation or whatever.

20 **MR COPPEL:** That's it from us, thank you very much.

MS CHESTER: Thanks, Peter.

25 **CR MAGUIRE:** Thank you very much.

MR COPPEL: Next participant is the Cassowary Coast Regional Council, welcome back. Again, thank you very much also for the submission on the draft report that Cassowary Coast Regional Council has
30 provided to us. If I could ask you to, for the transcription record, to each give your name and organisation and then if you'd care to make a short statement.

35 **CR SHANNON:** Thank you for the opportunity. Bill Shannon, Mayor of the Cassowary Coast Regional Council.

MR BRENNAN: Terry Brennan, chief executive officer, Cassowary Coast Regional Council.

40 **CR SHANNON:** The Cassowary Coast region is, in population, approximately 30,000 persons and assets of \$1.3 billion. We're essentially most of the area between Cairns and Townsville, on the coast.

45 In recent years we've unfortunately had the impact of two major category 5 cyclones, Yasi and Larry, and a number of smaller cyclones

and flooding events, which have caused significant damage to the regions essential infrastructure. The assistance provided to council, through the NDRRA process, has been substantial and it's helped to rebuild the council's infrastructure. It would not have been possible without the
5 NDRRA arrangements, simply impossible. The community's impact of the reconstruction effort should also not be underestimated. So it's not just what comes from the levels of government it also comes from individuals.

10 What we're particularly concerned about is the effects of the impact of the change from 75 per cent funding to 50 per cent funding. Cyclone Yasi, alone, the total damage was \$120 million and that \$90 million that the federal government contributed would become \$60 million, or a \$30 million shortfall in a population of 30,000. The state government has
15 certainly made it clear to us that they're not in any position to find \$30 million and it would be simply impossible for us to find it. So on this one event, if that funding wasn't there, it would be a financial disaster, commensurate with the cyclone impact itself.

20 Both the federal and state governments have indicated interest in developing northern Australia, and the cost of development are going to be affected by picking up the cyclone damage and the insurance premiums, it was referred to earlier, that it's going to be a real challenge to achieve any growth in this part of the world.

25 There are a number of things in your report that we support. More autonomous ability to access funds and then prioritise expenditure. While the work you're doing on engineering solutions and using day labour are all very sensible outcomes, but overall the message, with my Cassowary Coast hat on, is that we simply could not survive without the 75 per cent
30 funding from federal government.

MR BRENNAN: Commissioner, if I could just add one further comment to that? The council submission didn't really address the issue around
35 asset management, but we've certainly reviewed the submission that the Local Government Association has prepared and endorse the philosophy that's outlined in there, in relation to issues around asset management, asset registers and getting up to date information available. So we probably should just add that to our submission, because it wasn't
40 something that we specifically drew to attention in our submission when we made it.

MR COPPEL: Thank you. There'll be similar questions, I'm afraid.

CR SHANNON: Well, the answers will be essentially the same, but there'll be some differences that I can bring out.

5 **MR COPPEL:** One which may differ relates to the small disaster criteria and whether, in your council, if there were to have been a \$2 million threshold whether the natural disaster events would have exceeded that threshold. Yes, or not?

10 **MR BRENNAN:** I'll reply to that comment there. Based on the information we have, since 2004, in terms of disaster events we've had, there would have been five. Five events that we would have had to pick up, if the \$2 million threshold had have been applied, including the one that Councillor Shannon referred to for FNQROC, where we had a particular bridge and some other small damage from an event that cost
15 probably around \$1.6 million and was declared a separate event. So, yes, about five events since 2004.

20 **MR COPPEL:** Is that based on looking at expenditures within the council, or would that number of events have been different if that natural disaster actually had implications for neighbouring councils, would that have brought it above the \$2 million threshold, or are you just looking at your own council's - - -

25 **MR BRENNAN:** Just looking at the data for our own council. Certainly if there had have been other areas of event impacted then that threshold would have been less, certainly.

30 **MS CHESTER:** Could we find that out, because that's kind of really important to know whether the five events were in or out? Not today, you may not have that data with you.

MR BRENNAN: Yes.

35 **MR COPPEL:** Could I also then ask you about a move towards - a move away from a reimbursement model towards an assessed damage model, you know, this is an area of Queensland which is quite remote and there has been a number of points made about sort of the benchmark prices not being standard across different geographies. Are there issues that you
40 would anticipate with a move towards benchmark pricing?

CR SHANNON: I could probably repeat the answer I gave an hour or so ago. There is certainly some difficulties in the practicality of applying that and the examples I gave then apply. But I think the CEO has got some information there about some of the occasions where it's actually
45 gone the other way where there has been significant savings.

MR BRENNAN: Yes. Firstly, in relation to the benchmarking exercise, I think you certainly have to look at the specifics of the locations, and in Cassowary Coast's case we are one of the highest rainfall areas in Australia, so to benchmark us against someone else you're going to have to find another council that has similar sort of climatic characteristics to be able to benchmark against, because those climatic conditions certainly influence our ability to delivery programs within a particular timeframe, and influence our costs. So, we receive, on average, three-and-a-half metres of rainfall a year, and obviously if you're going to do a benchmarking exercise you need to be looking at councils that have similar types of characteristics.

In terms of Cyclone Yasi event, council had approvals for around about \$125 million in terms of submissions on restoration of assets, and we have just completed recently the 2011 finalisation of expenditures and the final cost has come in at around about \$100 million. That \$125 million would have had some reasonable risk built into it in terms of wet weather factors for contractors et cetera, but we have been able to deliver the program significantly less than what the approved submissions were.

MR COPPEL: Are there other examples or is this - - -

MR BRENNAN: This is probably the best example I can give you for the 2011 event given the system that we now have in place. So, I guess in the past the submissions and the cost have been fairly close to one another, but this is quite a significant event in this instance.

MR COPPEL: I mean in your view is that gap between the initial estimate and the final estimate linked to the size of the event and - - -

MR BRENNAN: I think it's that factor and it's also, as I said, also related to the climatic conditions that you have available to you to do the reconstruction and our pricing. We had to use contractors for particularly a lot of our sealed road works - included a reasonable amount of risk for wet weather, and some of that didn't materialise so they were able to do their works at a lesser cost than might otherwise have been the case. But that is certainly a fairly significant risk in terms of our particular locality.

CR SHANNON: That example that I gave of a road - I didn't give you the full details, but a road slip in our part of the road where it was initially thought to cost in the order of \$6 million because of the shape that was likely to slip, it turns out closer to \$2 million rather than \$6 million, that's effectively a \$4 million saving. And that was because we did our

homework, right, we didn't just say, okay, we've got \$6 million, just go for it, it doesn't matter what it costs, we'll be right as long as it comes in under the 6.

5 We did all the work, the geotechnical work and had a look at very many solutions to the problem, and there's more than one way of stopping a road slip apparently, and we came up with the best cost solution which we're very happy to apply, even though it's your money. So it doesn't necessarily follow that because there's no - it's not ours, it doesn't come
10 out of our pockets, we don't seek to get the best outcome.

MR COPPEL: I guess it's our money in a sense.

CR SHANNON: Well, it is, indeed, yes.
15

MR COPPEL: One of the recommendations in the draft report relates to the disaster recovery payment and we make the recommendation that there should be some provision or ability to make a disaster relief payment, but we recommend that we move away from payments that may be in the
20 form of rate subsidies or loans to business. And I think in your draft report you have suggested that that could be quite devastating in your community, I'd be interested in getting your views on the impacts of this draft recommendation.

CR SHANNON: A couple of points. One is that very often these lump sum payments that go to individuals do go to the wrong individuals. I mean you've got a situation in Far North Queensland where a lot of people, they live in this part of the world, they're outdoors people, most people would - and the fact you lose power up here, people do have
30 generators. It can be the case that you lose power, you've already got a generator, which you wouldn't do in a city typically, fire that up, use candles, the kids have a giant time, you actually lose very, very little.

It is probably not right that you put your hand out for \$1000 a head or
35 whatever it is and get that money if you're not affected directly by that cyclone, other than losing power and the like, you could be subject to nothing much more than inconvenience. And so that money could well be going to people and to others who are very much more needy than individuals who are in that circumstance. And also, you've also got the
40 disincentive to have insurance if it's so easy to put your hand out and get the money.

There's a lot of work got to be done around better directing some of that money, there's no question about that, and that was pointed out after
45 Larry. And the State government say, yes, we get it, we won't do it, but

the politicians can't help themselves, they came back up and got around after Yasi and made the same - we'll do and we'll support you like we did last time. So, they knew very well they were making a mistake the second time around and did it with their eyes wide open, they can't help themselves in front of television cameras some of them, literally.

MR BRENNAN: Certainly in terms of that, the issue around assistance, certainly to our agricultural industries, the banana industry and the cane industry, we felt that the assistance provided was essential for those industries because they were so severely devastated by the cyclone in terms of their production. So basically our agricultural sector, which is the biggest employer in our region, was devastated by the cyclone, so without some form of support those particular industries would have really had much difficulty in getting re-established.

Whether that's through loans or through grants or whatever is certainly an issue that could be considered, but we believe there is a need for assistance in those types of circumstances, depending on the scale of the disaster, to be available to those types of industries.

MR COPPEL: You made the point that such payments could have an effect on incentives to take out insurance, would that not be the case for these sorts of businesses, or farm businesses, in that there is a possibility to take out insurance for such damage?

MR BRENNAN: I think you'd find the premiums they might incur in terms of the likelihood of damage - and some of them have taken insurance in the form of shifting sections of their production to other areas so that they're not totally devastated as opposed to concentrating their operation in one area. That's certainly in the banana industry I know is something that is done, but in terms of cane I don't know that it's such a possibility. And Councillor Shannon would be better able to comment on that as he is a cane grower himself.

CR SHANNON: Properties that do take out insurance, and they do access it, but not damage is able to be insured against and that's where the financial assistance comes - is worthwhile. Not only is not available, but even if it was available it wouldn't be - particularly in particular areas that are subject to cyclones, the premiums would be unaffordable.

It's not that they don't take out insurance, they do, but it's the damage beyond what would otherwise be expected. And there is no question, when the people come from all over the State to assist in rebuilding, there is a lot of money that is paid out by insurance companies with charging at excessive rates, I think the evidence for that is very well established.

MR COPPEL: You made the point about politicians making decisions on the run which is one of the motivations behind the recommendation to have criteria for eligibility defined by legislation. Do you have any views on what would be appropriate criteria that balance some of issues you mentioned earlier in terms of incentives to maintain private treatment of risk, but at the same time provide support in these exceptional circumstances?

CR SHANNON: Yes. Well, I'm sure there are many things you could do but it tends to - it's the sort of thing I'd rather answer with the ability of sitting down and thinking about it and going through it all rather than on the spot. But I'm quite sure you could bring up established criteria that would be less able to be rorted, which I know to have occurred, and at the same time give people the support that they need.

I'm not talking necessarily about means testing but just better directing it. I think one of the problems with setting the criteria, the classic case is people who have lost power for more than whatever it was, 24 or 48 hours, they were abusing Ergon persons who were about to turn the power on because if they waited another hour they'd be eligible; that literally happened. So, as soon as you start putting criteria around it you will get people wanting to work the system and that's exactly what happened in Yasi, physically abusing electricity workers, telling them not to turn it on, go away, come back in a hour or two's time, looking at their watch.

MR COPPEL: Maybe that means that the criteria, rather than being sort of these very specifics, should be informed by a set of principles.

CR SHANNON: Absolutely. I think so.

MR COPPEL: On counter-disaster operations, a similar issue on always getting a better sense on where you draw the line in the sand in terms of operations that - ones that you would expect the individuals or businesses to undertake, given it is treating their own - treating the clean-up for instance on their own property, and when a council would get involved. Do you have any views on how to interpret where that line lies and when council intervenes, and when it's a responsibility for individuals?

CR SHANNON: I've got some very strong personal views on that along these lines. That the resilience and the - this country is in the process of changing to be more of a nanny state. When the cyclones hit in the '80s, in fact before I was living in this part of world, there wasn't this massive

effort to rush in and help and do everything under the sun, people just got on and did it themselves.

5 The immediate reaction, the great Australian salute is turning into your hand thrown out, palm up, and the government has contributed to that change, in my view, that change in attitude of the community at large. That is the new great Australian salute, throwing your hand out like that, and that is un-Australian and it's not caused by individuals, it's been caused by governments wanting to throw money around, literally.

10 **MR BRENNAN:** If I could make a comment there too. In terms of counter-disaster operation costs from Cyclone Yasi, according to the figures I have here, that was around \$22 million in our area. And a lot of that would have been as a result of debris removal, as a result of the damage caused by the cyclone. And that's not just sort of, you know - in some instances it would be the collection of rubbish from private individuals on the street, but a lot of that would also be sort of restoring council facilities and assets to sort of get them operational again in terms of roads et cetera.

20 I think it really depends on the scale of the disaster in terms of how you look at counter-disaster operations. For fairly routine sorts of things, yes, it probably isn't as - it might not need to be applied as much but when you get a very significant disaster you might have to have sort of a different approach I guess.

25 **MR COPPEL:** Are you suggesting that there be some degree of flexibility in how counter-disaster operations are funded?

30 **MR BRENNAN:** It could be. Depending, as I say, on the scale of the operation. Maybe you don't need to apply it in certain low threshold situations, but certainly very big ones where the costs are significant, I think you would have to look at the possible impacts there. So, yes, I think it sort of looks at probably the nature of the disaster, the scale of it might be an area that could be reviewed if you were concerned about the cost to be incurred there.

40 **MS CHESTER:** I just had two quick follow-up questions, if I may. In your post-draft report submission to us you did raise the issue of council already provisioning for disaster costs in a budgetary sense which was also one of the key recommendations in our report, largely suggesting that for the Commonwealth and state governments, given that post-disaster costs through the NDRRA, at the moment, aren't in the forward estimates so they're kind of like an unfunded liability. But it sounded, from what was in your submission, that council is already provisioning something

and it would just be good to get a better understanding of what that involves.

5 **CR SHANNON:** I think there's two answers or two aspects of that. One is that because we've got such a lot of work going through the NDRRA and have had over the last several years, we have made a point every year of putting several million dollars aside, unallocated, so that when opportunities come to turn a one lane bridge into a two lane bridge, or
10 widen a road, that we know very well is not going to be covered by NDRRA and nor should it be, we have the funds there to make that betterment.

15 It's not betterment by way of building it somewhere else, it's just a matter of putting it back in the same spot, kicking off on the rules, but making it better, so we're making - and that also makes it stronger and therefore it is a form of mitigation. So, we have made that conscious decision as a council to put money aside in every one of the last several years for that purpose.

20 **MS CHESTER:** So, it's more provisioning for betterment flexibility, post a disaster event?

CR SHANNON: We do make some.

25 **MR BRENNAN:** We do make some provision in our budget for a trigger point as they call it which is the amount that we have to fund for a disaster, so we make provision for that. And we do make some provision for costs that we know won't be covered by the state including some of our day labour costs. So, we make provision, but that's usually for a
30 fairly, you know, minor event, we wouldn't be making provision for catastrophic events. So, you know, we might make provision for one or two trigger points a year in our - given our experience that we've had, but that would be the extent of it.

35 **MS CHESTER:** Bill, I just wanted to return to one point that you made right at the beginning about - it's revisiting the issue of the 75 per cent cost sharing rate versus the 50 per cent and you pointed out that there would have been a \$30 million gap for one of your tropical cyclones that hit your regional council.

40 I don't know if you were here a bit earlier this morning but we talked about there is two levels to the cost sharing. There is what the Commonwealth cost shares with the state jurisdiction and then there is also another cost sharing round with the other states and territories
45 contributing to those jurisdictions, like Queensland, that has been hard hit

by natural disasters. And I raise it now because I just want to see whether or not it changes your view or your thinking around the 75/50. So, of that 30 million, at the end of the day Queensland would be up for 6 million of the 30 million, and the other states and territories would effectively, through the GST pool, contribute 24 million.

CR SHANNON: Yes, that's like reinsurance. If you've got a minute I'll tell you a story. Being a politician I've got to keep my nose clean, that's part of my job, and I said to my wife I'm seeing a lot of houses along the beachfront at Mission Beach getting new roofs, I said these people are rorting it, you know, what a disgrace, as a private comment to her.

Then a few weeks later the guy who was doing the roof next door said to me, as I was getting in the car, I heard this voice out of the - literally out of the clouds say, "Your roof is stuffed too, mate." And I thought, well, what - anyway he's on the roof next door looking at my roof and I was worried about that, I said you'd better have a look at it and tell me, because it had gone through two cyclones, and he said it needed replacing.

I rang a friend of mine who is a builder and said you'd better check it out because this fellow is telling me it's crook, and he did have a look at the roof and said, look, it's 15 years old now, it's right on the beach so it's got a bit of wear but you can see where it might have moved a bit in the cyclone but it's essentially okay. So I thought, well, what do I do now. I rang the insurance company and said you send your guy out and have a look at it, I told them the whole story like I'm telling you, and he had a look at it and they put a new roof on the place.

Then when I spoke to the insurance people about it - and it's exactly to your point - the insurance company had met its cost, the reinsurance market was picking up, just like Australians are paying for some of the damage in Christchurch and some of the damage in Japan, the world was picking up for the cost of my roof. The insurance company, not another penny did they have to find, it was being - it had hit the reinsurance, it had been off-laid. So I got a new roof and they were very happy to sign off on it, and I kept my credibility.

But that's exactly what you're saying, it's if the costs can be shifted by reinsurance somewhere else will it change your view on it; I suppose the short answer is yes. But at the end of the day, just like we are picking up from Christchurch and we're picking up tsunamis in Japan, somebody elsewhere in the world is paying for my roof.

MS CHESTER: Thank you for that very insightful and eloquent answer.

MR COPPEL: A good point to end on, though. Thank you very much.

CR SHANNON: Thank you.

5 **MS CHESTER:** Thanks.

MR COPPEL: The next participant is the host town, the Townsville City Council. Before we begin, let me thank you also for your submission on the draft report. Could I ask each of you to, for the transcript record, give
10 your name and who you represent, and then if you care to make a short opening statement.

CR HILL: We'll go through one at a time. I'm Councillor Jenny Hill, mayor of Townsville.
15

MR ALLEN: Neil Allen, director of infrastructure services.

MR BURTON: Ray Burton, chief executive officer of Townsville City Council.
20

CR HILL: Thank you for this opportunity to be here today. You have a copy of our submission but I'd also like to widen that a little bit to give you a bit of insight on what happens here with natural disasters, and also to use some of the figures that have been provided to you by the Local
25 Government Association in terms of what the disasters have cost in the last seven years and impacts on our community.

We have been quite fortunate in this region not to be hit directly with cyclones. Now, unlike other natural disasters such as bushfires or floods,
30 cyclones bring to this region three things that are of a major effect in one event, wind, very destructive winds, quite often floods through rain events, and followed with that the threat of storm surges along the coast. So, in reality, we're dealing with three events rolled into one.

35 Over the years we have invested in upgrading the resilience of this community both in terms of educating and providing disaster management plans, as well as enforcing, obviously, the building codes that were developed post-Tracy by the Federal government. And it is important to recognise that throughout this time we have seen a change in the sort of
40 damage that has occurred in our community.

I will read out the figures, and I'm sure you have seen them, but just to ensure they are on public record. Since 2008 we have experienced a number of events, and these are figures from the Queensland
45 Reconstruction Authority. For the Townsville area we have seen over

\$208 million spent as part of the Queensland Reconstruction Authority, obviously 75 per cent of the funding coming through the Federal government, the vast majority of that has been spent on our road network. So, for us, the resilience within our community, within our buildings, has been there.

But I would like to note that the NDRRA does not cover the cost of water or wastewater infrastructure, nor does it really cover the true cost to damage to our parks area, including some of our seafront and various erosion problems that we do see. We have taken, in our new city plan, to do a significant amount of flood mapping and flood modelling to ensure that when people build now to the Q100 level, that there is a certain amount of resilience built in in terms of flooding of our local communities. Because of the way our rainfall is our road network naturally acts as our secondary drainage, and in some ways it's a bit counterintuitive to what happens in other places such as Victoria and New South Wales.

I might ask, Neil, if you can expand on that, please.

MR ALLEN: Yes, Madam Mayor. Traditionally, if a typical suburb in Australia was destroyed in accordance with Australian rainfall and runoff, the underground pipe system would be in the order of a one year recurrence interval pipe system. For us, given our flatness, in many cases that's a pointless exercise, 300 millimetres of rainfall in an hour or two, the pipe system just can't handle it. So the logical and best way to handle big downpours of rain in short spaces of time is to convey it via the road network.

It does two things. It creates a bit of disruption for a short period of time while the event is on, but the other thing is it does potentially have a consequence of some water logging whereby the roads need to have extra, I guess, building criteria to try and counter that.

CR HILL: Thank you. So that is part of the problems living in north Australia, and I would say to you that that would be a common method of design, not just in Townsville but in Cairns and in Darwin and other places in between.

We have invested heavily on trying to reduce the risk of flood events both through storm surge and through rainfall events to ensure that our assets, particularly our road network, our sewerage and our water areas are quite resilient. And in fact we are spending an inordinate amount of money building new reservoirs around the city to ensure that we have capacity for people to maintain fresh water supplies after events.

5 Part of our problem here is obviously the threat to electricity and power. We came very close to part of Cyclone Yasi with the loss of power to our water treatment station in Douglas. We did lose power for a significant period of time which prevented us to be able to pump to many of our reservoirs, which is why we are attempting to double that capacity around our community to ensure that our community can still have fresh water even though there is no power.

10 We have worked very hard with government in terms of seeking funding during these periods to improve the resilience of our road and bridge network. We have just completed, or will be completing a section of road known as Blakeys Crossing, that road traditionally was underwater at, literally, a drop of rain. We are also now, with the assistance of the
15 Federal and state governments, we are looking to build some new bridge networks over the Bohle Bridge, over the Bohle River. What that will do is give us the capability to evacuate certain areas far quicker if we need to and to secure vehicle movement and industry - ensure that there is minimal industry disruption in terms of disaster events, where we can.

20 We run a very significant asset management program, and I believe that program has been very successful in ensuring that we don't see the sort of damage that you have seen in some of the other areas to council assets.

25 Clean-up is an important role in natural disaster arrangements. Unfortunately, we have a number of problems with infectious diseases, Dengue being the one that comes to mind, but obviously Ross River Fever, Barmah Forest Fever, they are diseases, particularly
30 Dengue, that are part of the urban area. It is very important to us that we clean up and have that capacity to access funding for that sort of clean-up as quickly as possible.

35 We have had outbreaks of Dengue Fever in the past. Any doctor will tell you Dengue is related to the mosquito, anywhere where water can pool, particularly in urban environments, within a fortnight you risk the outbreak of Dengue. Now, we are working with James Cook University and Monash University on certain programs, but they will take time. The
40 easiest way to ensure that the health of a community is maintained is to provide funds for the clean-up as quickly as possible.

I might ask the CEO: do you think I have missed anything?

45 **MR BURTON:** Just the capacity of our local community, Lady Mayor, to meet.

CR HILL: That's right. If I can. I know all local governments have discussed this with you but it's really about the productivity report, many of the recommendations there are agreed to by local government, particularly in Queensland. However, local government in Queensland is a very different animal to that in Victoria or in New South Wales. I noted in your report you spoke about insuring the road network, well, the local government in Victoria does not insure its local network, I believe the state government does but not local government. And I cannot think of any local government that could really afford to do that.

In Townsville we have a population of 200,000, approximately 75,000 rateable properties; we have over 3000 kilometres of local road network that we have to look after. In Brisbane they have in excess of 5000 kilometres of road network but at least they have well over a million people in terms of population and a far higher rateable base. The government is pursuing a development of northern Australia policy, if you were to insist on that for local government the impost to the ratepayers would be excessive. In the last 10 years rates have gone up an average of 31 per cent in the local government area of Queensland, we have not seen those sort of increases in any other level of taxation.

People here live very isolated lives, there is a need to travel by your own transport, there isn't the public transport network you have in capital cities. The cost of living here is far greater than it is in Brisbane or Sydney, and I challenge any economist that says it isn't. The sheer fact that many of our goods have to be brought up from Sydney, Melbourne or Brisbane is an added cost burden to this community.

To attempt to ask us to pay, for example, 25 per cent of our reconstruction bill would mean that we would have had to find \$53 million extra in our rates over the last seven years. That would be equivalent, I believe, to about a 7 per cent year on year rate increase for our ratepayers, you know. We just cannot afford to do that. We cannot afford to price people living out of living from North Queensland.

The economies of scale aren't here at the moment. I believe they will come in time, and I believe local government is trying to act in a responsible manner. We spend thousands and thousands of dollars putting out publications like this one to try and ensure our community is aware of what's happening, what their responsibilities are, in terms of disaster management.

We've been fortunate in this, north of Rockhampton, no one has died in any of the disasters, I think, in the last 10 years, and that's because, as a

local government, each and every one of them takes some responsibility and bear that burden. That is not a cost you have included in any of these studies.

5 The federal government collects nearly 83 per cent of revenue and I think it gets a pretty good deal paying 75 per cent of the reconstruction costs. I think that's a fair payback to our community. Any change in that, especially attempting to push it back to local government, is an impediment, a real impediment to the growth of northern Australia, and all
10 of us here, and the Local Government Association, our report is quite a detailed report that outlines the economic burdens to communities, particularly northern communities. We do take our responsibilities, in terms of disaster management, seriously.

15 We invested in redeveloping our Strand after an event in 1988 and in doing that it has meant that you, as government, has not had to pay for erosion, similar to what you've had to pay for in Cardwell. Where we can we will invest. But if you make us to it at the time of the event, we just can't afford to.

20 **MR COPPEL:** Thank you. You raised many distinct issues and I can pick up on some of them. One area we haven't talked much about today is in relation to the asset management program, and you've noted that you've got a significant asset management program. Does that explicitly
25 embody natural disaster risk into assets? At what level of detail? Is it on a specific asset basis or is it more of a strategic level of detail?

30 **CR HILL:** It's difficult because some of our assets are built in flood prone zones. Other assets we have we've moved into obviously better areas. Historically, it's very hard to wind back what has been done in the past.

35 One of our biggest risk areas is obviously our waste water plants, and we attempt to monitor that as carefully as we can. We do have management plans in place for those assets. Their risk is obviously at storm surge, in terms of physical risk. The other risk is loss of power, after a major natural disaster. Again, we have plans in place, in terms of being able to bring generators in and to continue those operations as quickly as possible.

40 Our water treatment plants are located well away from risks of tidal surge and flood but, again, they are at natural risk to heavy rain events where turbidity can become a problem. There's no way you can stop that.

MR COPPEL: In a sense, they're used for cataloguing exposure to natural disaster risks. Are they also used as a tool to manage those risks and how are they used?

5 **CR HILL:** What do you mean by managing those risks?

MR COPPEL: Earlier today it was commented that it was possible to look at, based on their asset register for roads, they could identify where there was a particular section of road that had been repeatedly affected by natural disaster. So that information could then feed into how you treat that risk.

CR HILL: I'll ask our director of engineering to answer that.

15 **MR ALLEN:** I guess I might start the answer with a bit of a story about repairing the road network, after recent events, take Cyclone Yasi. We purposely made the call to align our road renewal program with the disaster repair program to build some resilience but also to ensure, as best as possible, with the limit of our finances, that the bit we fixed wasn't sitting next to a bit that was about to be fixed or about to fail in the next event. We didn't all, as collective governments, look like geese with a brand new bit of road and a wrecked bit right next to it. So we have tried to align the two to get, in some shape or form, the best bang for the buck.

20
25 In terms of the repaired asset, that certainly does feed in to our asset register with its condition rating and projected new life of asset, if you like, for depreciation purposes and when we intend to come back to fix it.

30 Maybe I should add that, particularly in the road network, the asset management principles are based around its serviceability, so the ability to be used, not necessarily whether - it certainly is condition rate, based on where we think it is, in its useful life's journey, but it's based about the serviceability as well, so we make decisions on that. In fact, a road with a very poor subgrade, of course, depending on the mix and volume of traffic, may still be handling things okay, but if it was subjected to a disaster could very well fall to pieces. The management plan is based around the serviceability and continually checking the condition of it.

35
40 **MR COPPEL:** Another area you touched on was reinforcing building codes and the built environment is obviously a very important policy area, in terms of building community resilience. The building codes are at a higher level of government than local government, but I'm interested in what exactly has been then done within the Townsville local government, in terms of the building code, and how that's been used to build community resilience?

45

CR HILL: Well, the building code's obviously been very important. Post-Tracy saw the government implement new standards of building, as a result of what happened in Darwin. If you speak to many locals, most
5 buildings, post-'86, have been - are quite resilient. If you are to maintain the maintenance on them, with the events that we've had, there's been minimal building damage.

For us, at Yasi, which was a high 2, low 3 cyclone when it hit parts of
10 our city, the bulk of the damage wasn't to buildings, the bulk of the damage was as a result of falling trees and vegetation. So that's why those building codes are important and need to be maintained.

Sometimes the concern I have is within industry understanding the
15 importance of it, particularly from southern people. Tying down those roofs, ensuring the roofs are screwed in correctly, not building with tiles but building with corrugated iron or sinoflex, or whatever, has made a big difference. We don't see or even in anecdotal evidence from up Cardwell way, from where Mayor Shannon is from, the talk is anything built
20 post-'86 tended to survive, anything pre that was literally blown away, particularly with Larry.

So that's why those codes are important. That's why ensuring
25 building surveyors act in an appropriate manner when buildings are being constructed are extremely important.

Many people feel that they've been hit unfairly with insurance bills,
30 because, in reality, particularly some of our high rise buildings, there's been minimal damage but because of the risk to pre-'86 buildings we're paying the penalty for it in our insurance premiums.

MR COPPEL: The building code was changed in '86, is that - - -

CR HILL: No, it was changed earlier than that, but rule of thumb is
35 around about '86 most of those buildings - by the time things were implemented, changes made. Some people will say it's pre-'82, I think pre-'86 is probably a better bet.

MR COPPEL: One of the issues that's come up in consultations
40 elsewhere, following specific elements of the building code in the Blue Mountains following the fires is that the level of insurance has been insufficient to be able to cover the costs of the rebuild, because of the stricter building code. One of the recommendations we have in here is that there be greater information on how changes in the building code bear on
45 rebuilding costs and it's been particularly directed at both responsibility of

insurers, but there's also a role there for government. I'd be interested in your perspective or your views on that particular recommendation.

5 **CR HILL:** I'll just harp back to what happened as a result of cyclones where there was no real building code. We have the cyclone testing station here. It has been invaluable to the building industry to show how you build with resilience. How you can construct a building and make it safe, in terms of a cyclonic event. You only have to see what happened with Hurricane Katrina, where there are no real building codes in
10 America, to see the devastation caused. So to say that you should review those codes I think could very well put people at risks.

We ask people to go into the smallest room of the house, as part of our training for cyclones. We encourage people to get their roofs checked,
15 to make sure they're screwed down properly, to make sure they're tied down properly. If you want to ensure that people are to remain safe in their homes, we need to ensure that they are constructed to a stringent standard.

20 I don't know what the situation is like in the Blue Mountains, but I can tell you here, I don't think there'd be a mayor worth their salt who would say reduce the building codes for this region.

MR COPPEL: We're not suggesting that. The issue is, when building
25 codes are changed that the community may realise that they may need to increase their insurance cover, in the event of a fire or damage from a cyclone, and that the recommendation here is basically a question of greater transparency in providing information.

30 It may be, for instance, when your insurance premium renewal is received through the mail that it includes information on what it would typically cost to rebuild. To give some sense as to their exposure, in the event of a natural disaster.

35 **CR HILL:** Well, if you're saying that what the insurance company should be saying is, "Do you know it costs \$3000 a square meter to build your home in its exact location?" That would be warranted.

MR COPPEL: That is the nature of the recommendation.
40

MR ALLEN: Perhaps if I could add, Madam Mayor, the council is a major sponsor of the cyclone testing station and does jointly do experiments with them provided access for them, when Yasi was on the way, to take measurements and do their damage assessment and we're
45 continually doing joint media exposure with what their tests might mean

to the public and building code. So we've got a record of supporting evolution in building technology to do with cyclone preparedness.

5 **MR BURTON:** There would be an acceptance of our community here in North Queensland for exactly that, for the expectation around protection, around the quality of their buildings, for cyclone purposes.

10 **MR COPPEL:** You made the point about - in the context of counter-disaster operations, issues of public health, Dengue Fever was given as an example. Do you have any idea on how much Townsville Council spends on these public health areas?

CR HILL: During the event?

15 **MR COPPEL:** During an event, or immediately post an event?

20 **CR HILL:** Well, I can tell you what we're spending now doing - in terms of - for a month, doing a program through one of our suburbs, and that's roughly \$30,000, and that's a door knocking education campaign to encourage people to ensure that they don't have containers that fill up with water and things like that.

Post an event - - -

25 **MR BURTON:** I was looking forward to your answer to that question, Lady Mayor, because I can't help.

CR HILL: It's really about part of the clean-up.

30 **MR BURTON:** We do a lot of aerial spraying on broader areas along the coast and river way.

35 **CR HILL:** The aerial spraying I know costs just under \$1 million a year. That's for salt marsh mosquitoes, no Dengue, the salt marsh mosquitoes cause Ross River Fever and Barmah Forest Fever. So we actively spray many of our salt water areas near our community. As I said, that's just under \$1 million a year we spend on that.

40 **MR COPPEL:** That's independent of natural disasters?

CR HILL: Yes.

45 **MR COPPEL:** There's community awareness campaigns that relate to certain measures that you can take, following a natural disaster?

5 **CR HILL:** Well, there are community awareness campaigns. It's about building that resilience. So if we say to the community - we put it out there after a cyclone and there's rainfall to remind people to empty their containers, to try and ensure there's nowhere for a dengue mosquito to breed, they would understand that because they are continuous campaigns we run, in conjunction with other agencies, throughout the year.

10 **MR COPPEL:** Do you have any sense to how effectively the message gets across?

15 **CR HILL:** Queensland Department of Health will tell you there has been no local transmission of Dengue for I think about four, five, six months in the city, at least six months. We have had cases of Dengue, primarily brought in from South East Asia, particularly Bali, but because of the education awareness campaign you're not seeing that local transmission.

20 **MS CHESTER:** Just on the issue of what I would call soft mitigation examples of building up community resilience and preparedness for natural disaster and any public health risk issues that may flow from it, one of the things we tried to emphasize in the draft report was that the mitigation funding that we've identified for the Commonwealth to expend, matched by state jurisdictions, is really not just about flood levees, it's about soft mitigation as well where we've had some evidence, especially from some of the councils in south-east Australia, where you
25 can get quite good bang for your buck on soft mitigation initiatives. They don't cost as much but they do have benefits to the community, in terms of what we're all about doing is lowering the cost of natural disasters after they occur.

30 It would be good to get a sense of any examples that you've got of those sort of soft mitigation projects, as they relate to natural disaster risks for Townsville.

35 **CR HILL:** In sort of what terms? Are you talking about planning? Are you talking about road networks?

40 **MS CHESTER:** I guess the distinction between hard, is anything that is an engineering solution is hard, anything that's about the minds and souls of people and doing things more sensibly is kind of soft.

45 **CR HILL:** That's a tough one, because we've got people who want to live on the coast and here that is fraught with a bit of risk. So really what we try to do is encourage people to build to the conditions. So in all our new estates you've got to build to a Q100. We try to use our knowledge on flooding, we work with developers to ensure that we can mitigate some

of the issues. We need to know what the effects are downstream. Do they need to include a detention basin so we don't see that stormwater or that push up coming up on a high tide.

5 We do all those sort of things - I'll give you an example; in 1998, around Christmas of '98, we had nearly eight inches of rain fall in about two or three hours, and it was on a high tide. There was literally nothing anyone could do. We could have done all the planning and everything, but that rainfall event was just - it was a one in 500 year event, that's what
10 we've been told.

So even though we do everything right and things like that, everything's still based around the information we have, and that information, for us, it's about having even affordable insurance for our
15 community. If we can achieve that, then I think we've gone a long way, and I really think that's a higher priority for all of us to aim for, than road insurance.

Ultimately, the insurance companies I don't think will insure unless
20 they think they could make money out of it. They run on risk. If they can get us to insure something that's really of low risk that they can earn a dollar on, that's what they're going to do. So I wonder what the real value is, in terms of their offer of road insurance, based on what they're proposing to you.

25 **MS CHESTER:** As I said, perhaps it's maybe more of an issue for us to discuss with the state government. But it was from that context of hearing that there had been advanced in the last couple of years that compelled us to raise it again. I just thought that might be helpful to clarify what we
30 were recommending there.

MR COPPEL: Thank you very much it's been very helpful.

35 It's 25 past 3, we have one further participant but what I would suggest is that we have a scheduled break for 20 minutes, can we reduce that to 10 and come back at 25 to?

40 **ADJOURNED** [3.25 pm]

RESUMED [3.37 pm]

MR COPPEL: If I can call on the Burdekin Shire Council. Again, many of the councils today have put in submissions both initially and on the draft report and we're very thankful for that, including the Burdekin Shire Council. If you, for the purpose of the transcript, could give your name and who you represent and then if you care to give a short statement. Thanks.

MR KEANE: I'm Gary Keane, Burdekin Shire Council. I'm their manager for NDRRA, mainly involved with project delivery. So some of the political questions or policy questions you might ask I might have a few problems answering.

A bit of an insight on Burdekin Shire. We're a small rural shire located on – with two rivers going through it, one being the Burdekin, which is a very large river that goes up north as far as Hinchinbrook to the south behind Rockhampton and west to past Pentland. Doesn't flood that often but you get a large flood, it's a large flood. The other river is the Haughton River, which floods grew probably every year. It's a small township adjacent to a sugar mill. Being a river delta or floodplain, the best fertile land is on those plains. So, naturally, that's where all the farming is. And most of our road network is located there. We have about 1100 kilometres of road, 700 kilometres of that is sealed and during any of those flood events the majority of those roads are inundated or affected.

Going to insurance, Local Government Association stated some time ago that was basically wasn't viable at that time, which I think you're aware of. Strangely enough, when John Fahey, ex-Premier of New South Wales, appeared with the Commission and at our council a number of months ago he stated his achievement of an insurance company that won't insure anything above Rockhampton purely due to cyclones. My own personal reiterating on what the mayor from Emerald said, my insurance policy at home went from about \$1000 to nearly \$5000 over about a four-year period. I then went to another insurance company and it dropped to \$1200. The following year they refused to insure me because my postcode was 4807. When I rang them about it she said, "Well, you get flooded." I went, "I work for local government. I work in natural disaster. If you think I would buy a house where it's going to flood, you've got another thing coming. We've got very detailed mapping and that shows that I don't get flooded and anecdotally I don't get flooded". So that's just that interesting take on that side of it.

In relation to the threshold, the Haughton River can flood up to seven times in one year and it's a small catchment. So it by one large event could be affected and nothing else around it could be affected. If say that

5 damage is a million dollars from each event, that's \$7 million. Across a
rateable number of properties of 8800, that would equate to roughly about
\$600 per property or roughly 40 per cent of the general rate. In 2012,
Yasi, we had a damage bill of – no, not Yasi, sorry, 2012, we had a
10 damage bill of 22 million. If that 75 per cent was dropped to 50 per cent
and we were required to pay the 25 per cent – I know you've highlighted
that's changed – that would equate to \$625 per rateable property again.
Prior to 2012, in 2010/2011, we had events of roughly \$10 million each
time. So that, again, would be another three or four hundred dollars each
15 year on each property.

We've had events every year since 2008. So we get impacted on
every year, mainly because of the Burdekin. If it's to the north, comes
near Cardwell or anywhere up there, we'll get some of it. Comes in down
15 near Mackay, we'll get some of it. Other points – if you'll excuse me, I'm
a last-minute ring-in. Mitigation. We're a strong advocate of mitigation
but mainly through betterment. Whilst you can build levees to go around
towns and that, you can't mitigate against rural roads in a delta. If you
were going to try and do that you would have to build a levee bank the full
20 length of the Burdekin, 140 kilometres, some places 2, 3 metres high. It's
not feasible. The speed that the Burdekin flows at and the Haughton
flows at, you get one breach in that levee and you've cut a new river path;
it'll just rip it to bits. We had a breach on the Haughton, which I think is
in our submission there. We had spent 425,000 to fix it, but if we didn't
25 fix it and there was another event the next year it would have just taken
out farmland, roads, rail lines. So river trust is pretty important. That's
basically about all I've got to say.

MR COPPEL: Thank you, Gary. Can I start with the comment that is in
30 the submission on the draft report that relates to small disaster criteria
where you said that if it were at 2 million it would have an extreme
negative impact on your council. You mentioned in your remarks a
number of the events and the size of the events and a lot of them were sort
of greater than 2 million. Do you have any idea of how many events –
35 because you also mentioned that you have events virtually every year –
would have been below that 2 million threshold?

MR KEANE: I can only recall back to about 2007. You would have had
40 2007, 2008, 2009 that were below the 2 million. This year, 2014, we're
currently assessing it. I expect it'd be somewhere around the \$3 million
mark but I'm a long way away from finalising that submission.

MR COPPEL: Again, they are based on the assessed damage within the
45 local government area independent of what may have been damaged in
bordering local government areas.

MR KEANE: Yes.

5 **MS CHESTER:** Just so I can clarify, those events, Gary, that you say would have missed out because they were under the 2 million, were they for natural disaster events that impacted other councils?

10 **MR KEANE:** I couldn't answer back on 2007. I'd have to go back and have a look and I'd have to talk to the QRA about that to find out.

15 **MR COPPEL:** There was one point. The other point relates to mitigation funding. In the draft report we've recommended an increase to 200 million at the Commonwealth level matched by state and territory jurisdictions and that it be allocated on a per-capita basis. That's largely reflecting looking at loss data over the last 40 years. We recognise that other methods could be countenanced and it's been suggested that it may be based on risk. In your case you've suggested based on needs. Could you say a little bit more about what you mean by that?

20 **MR KEANE:** We, through the QRA, last year were asked to put in betterment proposals, not so much mitigation. But, like I said, we strongly support mitigation through betterment works. I think we put around 11 applications in. Three were successful. A lot of them were knocked back on cost-benefit analysis, which I can understand. But
25 there's one there, it's on the Haughton River, every year gets washed away. If it does hit a trigger point, we go in and fix it, if not, it's fixed under NDRRA, probably around \$30,000 every event. The total cost I think to bring that up to bitumen and basically flood-proof it, from memory, was around the \$200,000 mark. Got knocked out because it just
30 didn't tick all the boxes. I think a lot of the boxes or requirements are probably – I can understand it in a highly density populated area. A lot of these are in rural areas. At the end of that road there's two people.

35 But there's cane farms, there's cattle properties and one of those two people is handicapped. So as soon as the river drops we get in and open it up just to get access for them in case there's a problem. The other problem you have is with high-value crops such as cane. It's all got to be carted by road to get to the sidings from the train lines. So you're talking truck after truck every day. And they come into a central location. So if
40 your road gets flooded and it's saturated, the pavement doesn't dry out quickly, you could have the grass dead on the side of the road. If you go there with a backhoe and open up that you'll find that there's water dripping out of your gravel underneath because it's just super-saturated. Then once you get heavy transport running on it, that road will fail, maybe
45 three, four, five months after the event.

MR COPPEL: When you talk about need and cost-benefit analysis tries to sort of put a value on those sorts of needs, what are you doing differently that - - -

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MR KEANE: What we're saying there is you need to look at the cost. If you're constantly going back rectifying that asset every event and when you do your cost-benefit analysis they're saying, "But if we spend \$400,000 on that and every year we're putting 30 or 40 thousand dollars to then fix it, it's not worth it." But where you have to go back year after year after year, it probably is worth it because yes, it's fixed, you don't have to worry about it.

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MR COPPEL: That's not something you can put into a cost-benefit analysis that it may be damaged two times rather than two, three times.

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MR KEANE: You can't. It just depends on the event.

MS CHESTER: Just if I could ask a follow-up question there. Gary, in your asset management planning then for your region, do you sort of identify at-risk assets and have planned in there sort of what – if there were another natural disaster event and had to be rebuilt, here's how it would make better sense to rebuild it with an element of betterment.

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MR KEANE: This way I probably answer one of your further questions. In our budgeting we budget for our trigger point, naturally. We also have a certain amount of unallocated in there. We're not like Cassowary and that. We might have three or four hundred thousand dollars sitting in there. It's not so much for if there is an event. When you are budgeting you have capital jobs that go over, some come under and it's there for the jobs that pop up. If something suddenly happens or in the case – if we get an event – I think the QRA know that we do this quite well, I think they do. If we go in, we're doing up a road that's been damaged and we say, "Well, that intersection there, we really need to be putting a turning lane in there," we'll allocate a separate project number under our capital program and we'll go and fix it. What you're asking about if we're looking forward in our asset management plan. Not so much as in the flood.

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We're looking at what the asset is, its current rating, when it's due to be replaced down the track. But what we are looking at is we have a team within the engineering department who meet every month for our monthly works program and every six months for forward budgeting planning. So we're always looking five years rolling forward on what we're going to be doing. If you get an event and that we'll say, "Okay, well, that was

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planned to be done in eight, nine, we were going to look at upgrading that,” or, “That really needs a larger set of culverts in there.” We found out with a lot of our flood modelling that we’ve done now that yes, we’ve got a lot better idea of what’s required. So we’ll pull that money forward.
5 We’ll do what we call complementary works. If we’re ripping the road up we’ll put in new culverts, we’ll improve the asset while we’re there and try and get some immunity while we’re at it.

That’s why we also like day labour. We loathe to pay contractors profit on that. If we prove to the QRA we can do it cheaper, naturally there’s no profit. If you’re efficient and you’re set up and you’re doing it properly, we do it at less than your benchmarking price. But we’ve done it in 2012 because we had to use contractors. I think we put probably, from recollection, 500 to 600 thousand dollars of our money into doing
15 some complementary works. But it’s a council asset we’d prefer to do it while we’re doing it. Or if it’s in the contract and it’s we’re going to put a new set of culverts in, we’ll put that in the contract if we’re not allowed to start that work and we’ll move in just before they’re ready, rip out culverts, put the culverts in at our expense and then they can go ahead and
20 do the work.

MR COPPEL: On the question of moving away from the constraint of day labour, the draft report has recommended to move from reimbursement model to a model that’s based on assessed damages. That would be on the basis of benchmark prices. Do you have any views on
25 the application of benchmark prices to come to a quick assessment of damage?

MR KEANE: We’re currently using benchmark prices on our forms when you’re doing submissions and when we’re looking at final acquittals as we go forward; we’re coming in underneath those. We’re probably a little bit unique as in we have very good quarry material and it’s right in the middle of our shire. Occasionally we’ll go above the benchmarking figure, but there’s always on your form 9, which is part of the acquittal,
30 that we state that the job is 60 Ks from the quarry but we have additional transport costs, we have this. So it’s all fairly clearly set down for the QRA and they seem pretty happy what we provide them with.

MR COPPEL: Are those benchmark prices that you use, are they
40 geographic-specific?

MR KEANE: They’re shire-specific. What we do is we forward to the QRA our own internal estimate templates which are updated every year with annual tenders of bitumen screenings, stone products, concrete,
45 culverts. It’s a rather extensive spreadsheet. Basically, you punch in the

figures at the top and then it just starts loading it all up down and you delete what you don't need. That's provided to the QRA whenever they ask for it to upgrade our benchmarks.

5 **MR COPPEL:** And those benchmark prices would be able to cover the full gamut of recovery expenses?

10 **MR KEANE:** They cover the actual construction work, they don't cover your project management. But there's an allowance for that project management cost. We tend to do things a little bit differently. I sit on top of all the work. If I need consultants to come in to do the work, well, I'll write briefs, call for fee proposals. Then we'll pick the consultant that we want for it and then all his work is checked again as he's doing it. They're not given an open thing. We have full control over it when that happens.

15 **MR COPPEL:** In your opening remarks you were talking about your example with flood insurance and you said that you called them up and that you explained that there was good flood mapping and your property wasn't exposed like others, but you didn't tell us the end of the story.

20 **MR KEANE:** They just said, "No, we're not insuring it."

MR COPPEL: So you weren't able to be able to convince - - -

25 **MR KEANE:** No. I said to them, I said, "You should probably get hold of this modelling or have a look at the modelling because" – or the residential properties, a lot of them aren't affected because – it's anecdotal – we know where the floods happen. So people don't tend to build there or they move. With the new modelling it helps us a lot better with future subdivisions and that as well. Even like road design, we'll look at – and this is our own capital program. But if we're looking at lifting a road for a drainage area and we're going to put culverts in, we can sort of judge what the – how flux is going to be, how much we're going to push water elsewhere and we'll drop that and maybe put in just large concrete flood ways and sort of work on that. So, yes, we have got a good flood modelling.

35 **MS CHESTER:** Gary, you also mentioned in your submission to us – and it's kind of related – that the council recently adopted a new floor heights policy and you've all seen that flowing through to insurance premiums. I guess good to get a handle on what council's done to try to wrestle the insurers to better understand the lower risk and then why are they saying they can't reflect that in the premiums.

MR KEANE: That's one of the questions I can't answer. That's a town planning issue. I actually didn't write the submission. I'm a last-minute ring-in. But what I can tell you is that after Cyclone Charlie, which was 25 years ago, we had a similar situation to Townsville City. We had like
5 30 inches – or in your terms 600 millimetres – in about 14 hours. Drainage got blocked; water just kept coming up and up and up. They were evacuating people from high ground because the drainage couldn't get out. Where you had like a saucer on high ground the drainage couldn't get out. So they adopted a floor height back then of 300
10 millimetres above the highest point of the road opposite that property, lifted most of them up with this new modelling. I know Shane in town planning has it so he can do the town planning side of it for flood heights, but apart from that, I can't answer.

MS CHESTER: If it's just an easy email or something from your colleague, it'd just be good to know why the insurers said they weren't able to reflect that, because we're kind of getting a bit of conflicting evidence along the way, which probably wouldn't surprise you.

MR KEANE: Like I said, I can't answer it, but I will go and ask – talk to them.

MS CHESTER: That'll be helpful, thank you.

MR COPPEL: Talk a bit about counter-disaster operations. You may have heard earlier that we're interested in where you draw the line between sort of normal operations and those that are extraordinary in nature following a natural disaster.

MR KEANE: In relation to your local disaster management group or counter-disaster operations as in the management side of it, we have designated project numbers. It's a project number that comes up. Those people are given that number. If they're doing overtime – even if they're doing ordinary day labour, it gets booked that number. Then it goes to the
35 QRA. So we've got full transparency. The QRA get that ledger, they've got everything there and they go, "Day labour is out, that's fine, it's not a problem." But it's fully transparent so they can see what we've got there. As far as clean-up goes, under counter-disaster operations clean-up is to provide emergency access into areas. So if there's trees down on the front
40 yard and people can't get into their property and that, okay, let's open up so they can get into their properties. Then when you're doing your normal clean-up of council trees and debris and that, that comes under emergent works. That, once again, is a separate number. Occasionally the waters get a bit muddy, especially after big events, people are running around all
45 over the place. But you try to – what we tend to do is when it's coming –

if we know the event is coming and that, we get all our foremen, all our supervisors together, say, This is what applies to this, this is what applies to that,” to try and get a very defined point. But you still get the odd thing that happens.

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MR COPPEL: We heard in the previous session that there are hard types of mitigation and there are soft types of mitigation and the soft are often focused on communication measures, that when it comes to a cyclone there’s often very little that you can do from a mitigation perspective. It’s really how you would respond or prepare. How do you arrange those sorts of soft mitigation?

MR KEANE: I’m not actually part of the local disaster management group. I sit to one side. I’m more in the project delivery afterwards. But they do get together, they do start to – they get out on the internet, Facebook. We’ve got Facebook, get it all out there what’s happening. Just try and get as much information out to people as they can. We do provide those brochures in Townsville city. They go with the rate notices and that to try and keep people aware. But we also have that people moving in all the time and a lot of seasonals with the crushing season, prawn harvesting season, that sort of thing. So you’ve always got those people moving.

In relation to river flooding, we have a very extensive flood warning network. It goes as far as the top of Eungella Dam behind Mackay. It goes out as far as about two hours west of Charters Towers and on the main Burdekin River we stop at Sellheim just near Charters Towers because we’ve got the Burdekin Falls dam there as a mitigation measure where you can see what’s happening. But the bureau may have got other automatic sites all the way up. But they’re the ones that we control. So we hopefully on the Burdekin have anything up to two to three days warning. The Haughton, we maintain all the flood warning network for them, but we don’t do the reporting on it because the Haughton is very fast and they have people on call with alarms set up. So if there’s a problem they’ve got our phone numbers and they’ll ring us straightaway.

Once again, when the rates go out, that piece of paper goes out. If the Burdekin gets to this height, this is going to happen; if it gets to that height, this is going to happen. It’s more about full warning. To help people, we’ll move graders, loaders, truckloads of sand over to Home Hill, because, as I said, when the Burdekin floods everything gets cut. So you get a lot – our main depot is in Ayr. We’ll move a lot of equipment to Home Hill, Ayr, and then we know how we can get around different levels of flooding and we work from there.

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MR COPPEL: Do you get any external support for these forms of awareness and preparedness campaigns?

5 **MR KEANE:** We have an agreement which most shires throughout Queensland have with the Bureau of Met. It's a joint cost-sharing arrangement. They put in some stations, we put in some stations. The maintenance we do every year. They have a team of hydrographers who come out for probably four months of the year. We strip every station down, check it, make sure it's right, put them all back together. For us,
10 it's about a two-week field trip. We have our vehicle full of spares, they have their vehicles. That's about the only assistance we get with the flood warning network.

15 **MR COPPEL:** But in terms of communication to the community, building community resilience through these soft-type of campaigns, is that fully an initiative of the council or is it something which is supported?

20 **MR KEANE:** Yes, we fax and email to the local radio stations, local TV stations what the predicted river height is going to be and that. They put that out and, like I said, people have got that information. We have our customer service come in. We'll have a team of girls at the front counter for the full extent of the event answering phone calls and trying to help, except when it gets to about category 3 status and then we send them all home.

25 **MR COPPEL:** That's it. Thanks very much.

MR KEANE: Thank you.

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 today to make a brief statement? Yes. If I could ask you to come to the table and give your name for the record and who you represent. Thank you.

35 **MR KITZELMANN:** Michael Kitzelmann, CEO Etheridge Shire Council. I'd just like to start off by saying thank you very much for the opportunity to make this address right now and thank you for the efforts that you're putting in to go around to speak to everyone to get this
40 background information. It is appreciated. Your challenge now is obviously to try and take everyone's feedback and make it work; so good luck there. The reason Etheridge Shire Council didn't put an independent deputation in to this hearing was because the Far North Queensland Regional Organisation of Councils submitted one on behalf of all the
45 member councils in that area and we fully support the work that was

conducted by them. I just wanted to make a few further comments to highlight the variation that occurs between the councils even within that ROC.

5 Etheridge Shire Council, for those of you who don't know, covers approximately 40,000 square kilometres, has just under 900 residents, 1400s of road network of which 500 kilometres are sealed, the remainder is unsealed, and we have a very, very small rate base of approximately \$2.3 million a year we can raise in rates. So our resources are very
10 limited, our capacity to respond to things is very limited. However, the thing we have on our side is we're a very resilient community and able to respond in a very timely manner when things do occur. And that does make a big difference to how we do things.

15 I just wanted to talk on a couple of points in regards to the conversation I've observed today. One of those points was the funding structure and how the funding is divvied up, whether it be 50 per cent, 75 per cent. As many people have highlighted today already, the state government has indicated they will not have the money to meet the
20 shortfall if the federal government reduces their contribution to 50 per cent. This is a grave concern because the smaller, very remote shires such as Etheridge Shire, we're not in a position to pick up that at all. Our rate base doesn't even cover our wages bill for our staff. We are 100 per cent reliant on the support we get through the other grants for FAGs grants, for
25 TIDS grants, RNPC work for transport and main roads, et cetera for survival. So if we were then told we were required to do that, well, effectively, the only option we'd have would be to close our doors because we would not be able to afford to do it, or you would be left with infrastructure which could not be maintained. We would not be able to
30 return it to a reasonable condition.

Further to the funding structure side of things with the discussion around raising the intervention point from 240,000 that is currently is up to \$2 million, well, effectively, if that happens we're in just as bad a boat.
35 The simple fact is although 70 per cent of the disaster events which have occurred in the Etheridge Shire are over the \$2 million impact, there's those 30 per cent which aren't. We had bushfires which went across three different shires, took out two-thirds of Etheridge Shire, yet the fact that we don't have a professional fire-fighting service and the fire was fought by
40 volunteers, we didn't meet the \$240,000 limit. So, in that instance had a direct impact on our community, social impact was phenomenal and how it impacted the individual residents was phenomenal. It wasn't declared a disaster event until the mayor at the time lobbied the other areas to say, "We need your help, this is a problem."
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The fact that the fire had gone across three shires, it was part of a fire burning in one of our neighbouring shires was what enabled it to get it across the line to be declared a disaster event and then we were able to get category B scheduling. Major impact on the community. A lot of the cattle stations in the area, they survived, but by the skin of their teeth. It wiped out what grass and feed there was for their cattle in an already drought declared period and it had a major impact. So having a one-size-fits-all classification for how funding is – when it kicks in, at what point it kicks in, cannot work, will not work. Whether it is from eastern seaboard to regional to remote to very remote councils, there needs to be specific consideration taken for how it impacts each of those. So the \$2 million side of things, once again, if that comes in it will be effectively killing the shires with the ability to respond to natural disasters because we can't fund it. That is over 90 per cent of the budget that I'm able to raise from rates. If you were playing poker, that's like having your opening bet but your entire pot in one fell swoop; you just can't do it.

The other side of things, we've got examples of events which have occurred. We have an annual event where we have 150,000 cubic metres of silt move down a one acre area of our river every year. That wipes out a causeway. Those causeways are only worth a couple hundred thousand dollars to repair. If that's the only thing which occurred, we don't have the money to repair that. We don't have the money to replace that. So using a pure quantitative measure on the impact on a community is not sufficient. It needs to be a combination of the qualitative impacts on the community, on what's occurring, as well as with quantitative dollar factor.

One of the examples to go with that is we have floods in the south-western shire. No impact on any infrastructure. No impact on any housing, anything like that. But what it did impact, those floods wiped out all the seed in the ground, therefore, once the waters went away there was no grass seed left. So the graziers had no feed for their cattle. So it didn't cost us anything but the impacts of it were enough that all of these stations, all their stock had to be taken out. It bankrupted numerous stations because they had no feed after the flooding event. So a purely quantitative measure is not sufficient to meet the needs of the more rural and more regional areas. It needs to take those qualitative elements into account to ensure that we protect the wellbeing.

Everyone here today has talked about how much we contribute to the GDP, how much we contribute to the earnings of the federal government and how much federal government earns. Well, to be honest, all of that is irrelevant. What is relevant is what is the impact of natural disasters and how do we manage it? So talking about trickle-down effects of funding, looking at partnering with insurance companies to try and get things down

and adding levies, all of that is noise around the peripheral to the real fact; we need to continue funding for support to local government to respond to natural disasters. We're in a situation, in the very remote regions, if we don't have that we're in real trouble.

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The Etheridge Shire has been declared drought affected for three years now. We're on the border of running out of water for two of our major townships. I'm delivering water to properties so they've got something to drink because they haven't had a bath on two months and they don't have water to drink.

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The natural disasters on the smaller, remote councils, such as Etheridge Shire, we've only got 900 residents, we cover 40,000 square kilometres. If we change this to reduce the funding, and the state government does not take over the burden, we're in trouble. I can't plead the case any further, for the very remote shires, than that. I think it pretty well sums up the impacts of it, but it is critical that the very remote shires, the small shires, be given due consideration. We don't have a loud voice. We've got our Regional Organisation of Councils who fight for us, but even they, from one side of our region to the other, the variance is phenomenal.

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Some of the other things I wanted to very briefly talk about is the counter-disaster and response side of things. For Etheridge Shire and most of the western shires, response to disasters is totally different to what you have on the eastern seaboard, or in the major cities and major rural areas. The people out in the western shires or remote shires, they know how to respond. They don't stand there putting their - what was Bill's wording earlier, the new Australian salute, putting their hand out for money, they just get on and get the job done, and they are able to do things that most people can't do. They've all got generators, they'll get their grader out, they'll fix their own track to help themselves straight away.

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So when we do ask for help it's not because we're not prepared to help ourselves, because we do. It's not because we are lazy, because they're not. The guys out here are working hard. They don't report all the work they do.

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A couple of weeks ago we were repairing a road under the NDRRA funding. There was a big load of boulders, which redirected the water and washed the road out every year. Council didn't have the funding to remove them, we couldn't get approval under QRA to have those boulders removed and we were going to repair the road again. Simple case was we didn't have the funding to do it, the property owners in the local area came

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out with their own machinery and ripped those boulders out. It meant that the road wasn't going to happen.

5 What would that have cost? Did we report it through how our contribution is? No, we didn't, we just got on with the job. That's effectively what the western shires, the rural councils do, they get on with the job. They may not report all the extra effort they do, but it's there and it happens.

10 I do invite you to come out to the western areas and have a look and see exactly what we face. Have a look at how we operate. There is a level of bureaucracy that occurs in the bush that doesn't occur anywhere else. Simple thing is, the job needs to be done, we get in and get it done. We don't break the rules, but at the same time we don't jump through
15 hoops unnecessarily.

If the Commission has time, I invite you to come out and have a look and see what we face. There's some crazy examples. At the moment, the Gulf Development Road, the main road from Cairns through the west:
20 there's a contractor there doing \$8.6 million worth of work; \$8.6 million worth of work on a dual lane sealed highway which is only five years old. Yet, in between where this work is occurring, there's single lane sealed highway, single lane so cars have to get off the road for each other, which isn't being repaired, yet the five year old road is being ripped up and
25 replaced because it had some movement in it. Yet, the single lane stuff, which is in completely atrocious condition and up to 200 millimetres drop offs off the side, is not being touched.

The amount of phone calls I've had from tourists, from locals, from
30 station owners, "Why are you fixing the road which isn't broken when the one which is broken is being ignored" is phenomenal. They're the sort of things which need to be addressed. That's how you'll save money, put it where it works. Don't spend money on things which don't work or aren't needed. Spend it where it's needed and I guarantee you your 25 per cent
35 you're worried about now, it'll come back in dividends later. Change the process, look at how it's being applied and hold people accountable for the results they deliver and you'll achieve it.

40 In regards to benchmarking, the building industry has benchmarking of prices for across the country and they put down, for the western regions, that it's 1.4 times the benchmark rate. That's what they've got down for Georgetown. It's 1.4 times their benchmark for an electrician, et cetera, et cetera, et cetera.

5 You go further west and they increase it. Well, reality is the 1.4 times is actually about 1.8, because no one wants to come out there and do it, so you have to pay a premium higher above to get the work done. So benchmarking, although has its merits, there are limits to how well it will work, once you get in 100 kilometres west of the Great Dividing Range. Outside of that, it's totally different rules.

10 Once again, thank you very much for your time. I've had a bit of a rant and got on my soapbox, but that's the idea to get our voice across. I really appreciate your time and the offer stands, come out west, have a look at how we do things, have a look at the challenges we face. You'll be given the best hospitality you can imagine and you'll walk away much wiser for it.

15 **MR COPPEL:** Thank you very much. I just have two questions, two very brief questions. You mentioned that one size wouldn't fit all and that there should be some combination of qualitative and quantitative. Can you elaborate a little bit more on what sort of qualitative measures?

20 **MR KITZELMANN:** With the qualitative you'd be looking at the social impact as well as the monetary impact that's occurring. They're intangible elements of impact. The bushfire which went through wiped out fences, had nothing to do with council. They weren't our fences, they were property fences. But those sort of measures should come into it. 25 What is the impact on the properties? Where the seed was wiped out from the soil; what is that impact?

30 So taking in those things which aren't directly related but are an impact to the community, even though we may not get across the threshold. Have a look at those other social things which are outside the black and white category of dollars.

35 **MR COPPEL:** There are efforts that are made to try and put a value on non-tangibles. I accept that they are very difficult to do but is it because they are not being done or is it because it's difficult to do?

40 **MR KITZELMANN:** It's difficult and very limited resources for the NDRRA applications for QRA. I've only been in the role as the CEO in Etheridge for four months now. I've made some pretty radical changes in the time I've been there, but one of the things previously, a contractor was being paid to prepare our submissions and we were getting our submissions slashed by 80 per cent. I had to question what was going on with that. The problem with that is, if the damage doesn't get rectified this year and it gets damaged again and again and again, which is the 45 event which caused the damage?

5 So I made it that the contractor can prepare the submission but I will have QA sitting down reviewing the entire submission. I have the entire road network asset done three times a year. I have it videoed, GPS'd three times a year to assess its quality. That costs a lot of money, but we have no choice if we want to get our assets maintained and repaired from damage.

10 The damage from a wet weather event versus a declared disaster event, well out there, it doesn't make much difference. If it rains it rains heavy and the quality of the asset to start with is at a much lower base. A dirt road, whether it's a cyclone hit it or just some heavy rain, it's going to wash away and be torn to pieces. So looking at getting the fine tuning between a wet weather event or a disaster event might make a difference
15 where you've got a very high level of infrastructure, where you've got sealed roads with culverts, with drainage systems, all that sort of thing. But where your infrastructure is dirt roads, with a pipe in the ground with a bit of gravel on top, for crossings, it doesn't matter whether it's a natural disaster or whether it's just a wet weather event, it has the same impact.
20 The road gets washed away and people are stranded.

MR COPPEL: The second one was relating to benchmarking, so you made the point about there being different rates for the wester you are from the Great Dividing Range. We accept that there'll be regional differences, is that something which you see as being something that could be overcome, or is that a deal breaker, so to speak, moving to a benchmark assessment?
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MR KITZELMANN: There's always ways to overcome a problem. So can it be done? Yes, it can. What it would take? I'm not an engineer so I couldn't tell you for all the different trades. But it will need to be continually reviewed, continually reviewed.
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35 The building industry have their benchmarks for how much an electrician costs to build a house, for example, and for remote regions they have different scales for it. That gets looked at every couple of years and depending on the climate of what's going on in the industry, it will have an impact on how accurate that is. At the moment a lot of the trades are getting paid mega dollars to fly in and fly out of holes in the ground,
40 therefore you have to pay higher rates to get them to come and do your work. People don't want to travel five hours to go and redo a power point. The reality is, if you need an electrician and you're five hours from an electrician, you have to pay whatever rate it costs.

45 **MR COPPEL:** Thanks very much.

MR KITZELMANN: Thank you very much once again.

5 **MR COPPEL:** For the record, state your name and organisation, thank you.

10 **MR KIRKMAN:** Ray Kirkman, Croydon Shire Council, director of engineering services. Just to let you know that FNQROC does represent our interest and we endorse all of the information that they provided, however just to give you a little insight in small, isolated western areas, which are quite different to a lot of the representations that you've had here today, which are from larger councils and councils with substantially more financial resources than us.

15 We're 600 kilometres west of Cairns, we're just the other side of Georgetown and we've got a fairly large area, 29,000 square kilometres, and a very small population, only just over 300 people, with our rateable income only being \$337,000. So that sort of paints the picture of what predicament that we're in.

20 The most important thing for us is the day labour factor. In our particular model of the way that we deliver our flood damage, which is reasonable, given that we're close to the Gulf and as you get closer to the Gulf the topography is basically almost flat and if you do get any
25 substantial rain, the rivers aren't deep enough to actually carry the water and it just spreads out on a massive flood plain, very similar to the channel country. When that occurs, our model is that we have a small core of permanent employees who we use to supervise the work and to impart the local knowledge and make sure that everything is done correctly, to the
30 right standard and according to the correct rules.

35 Currently that's - whilst it's recommended in this report, it's been on again and off again over the past few years and it just seems arbitrary whether it's in this year or whether it's not in this year. It doesn't give us any certainty but the net effect for us is that we may have to downsize our permanent people if it's not changed, which I see as having detrimental effects on the repair work that we do, both of quality and the value for money.

40 Value for money, I believe, and probably a lot of other councils here can confirm that, as being proven over and over again that where you use a proportion of your own staff in critical key areas you can substantially prove that you get value for money. Now, why you would not accept that because it is a saving is beyond me. I mean it beggars belief but it's

something that I think really needs close attention as part of this report and part of the study.

5 I guess it would have a devastating effect on the town, because it's such a small town. We're a substantial employer. If we had to downsize and people moved away that would have a ripple effect throughout the whole community and the viability of other businesses and things like that. So that's something - the social effects, and the ongoing economic effects are things that aren't necessarily accountable or listable but they're
10 real things for a small, isolated western community.

We have taken steps, already in the past, knowing that this on again off again day labour. For the last probably four years or more, if any permanent people leave we don't replace them with a permanent position,
15 we replace them with casuals, knowing that casuals can be claimed. However, that's got an effect on the community in that there's less certainty for them. There's less ability for them to buy houses and get loans and do any of their financial stuff because the rules to deal with the financial institutions.

20 It's a real thing. The employees feel less certain as a result. When they've got a permanent position it's a bit different. But we've had to do that to jockey ourselves for the right position, to make sure that we don't take the hit financially.

25 I guess the next point is the descriptive nature of the existing situation, like for like, we're inhibited by that. It allows no variation, no innovation, no flexibility and I think we could do with a bit of creative analysis and a bit of ingenuity. We could get much better solutions that aren't necessarily like for like that would give a better outcome. Of
30 course betterment just goes that much further in that direction. It's this lack of flexibility that's stifling any ingenuity or improvement, I think, that's a major consideration.

35 Once again, on another topic, it appears that there is excessive regulation to us. Progressively, over all the years that I've been involved in it, there seems to be more and more bureaucracy, more and more checking, more and more delays. It reaches an extent, and probably other councils can verify that, where you lose probably up to nine months, or
40 possibly 12 months, depending on the seasons and the approval after the event itself, before you get your approvals and satisfy all the queries and you've got your approval in hand. We are so small and financially stressed that we can't take the risk and do the works unless we've got the approval in our hand to know that we can proceed with certainty and not

suffer any financial knockbacks at the end of the day. So that's a major concern for us too.

5 The other thing is one size fits all and the benchmarking. I think that benchmarking is fine, so long as the benchmarking is carried out in the correct fashion. A state average benchmark, and that's what we're grappling with at the moment, that we're being compared, in our very isolated area, as Michael pointed out, where our costs are significantly different, even to the coast here, or certainly to Brisbane, with having to conform to some average that's devised or developed in QRA.

10 That causes enormous problems because it's just not the same. Our costs are significantly different, as you've heard from other people, because of our remoteness, our travel time, our camping, how far away the water is, the gravel, all those factors come into account. But, if the benchmarking was done on a council by council basis, or a more accurate basis, then I think it would be a good system to say, "The roads have got damage, this is the type of damage, these are the benchmark unit rates." It then becomes a mathematical fair and reasonable exercise to be able to move to the proposed future direction where we do get some quicker turnaround, some better certainty about how much we're going to be getting so that we can get out there and actually start repairing.

25 At the moment, we've done virtually nothing on any of that damage for the last eight or nine months because we've been waiting for all of this approval. Of course, the public is disadvantaged as a result. We've got cattle properties that are transporting cattle and of course they have to suffer the consequences of the lack of repair and the trucks probably suffer more damage, the big triple, six deck trucks that transport all this cattle around, which is the very life blood of these small, western shires. They have to travel slower, the travel time is more, the costs are more, the repairs are higher. The condition of the cattle deteriorates because of roads and things like that. They're all factors that aren't really taken into account in this exercise here, they're sort of off the page, if you like.

35 I mean it's like the community effects on a small town of people having to leave or people not being able to operate their finances in the way that they'd like to. None of that is costed or significantly or seriously taken into account.

40 I have to be quick, as you say. They're all the points that I just wanted to bring up and just reiterate some of the other points, but just highlight our particular circumstances.

MR COPPEL: Thank you very much for that, Ray. We won't follow up, unless you have a comment?

MS CHESTER: No. Thank you.

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(Remark from floor : Not transcribed)

MR COPPEL: We've heard from many local councils today and it's underscored the diversity of the challenges that councils face in relation to managing the risks of natural disasters, whether they be coastal local governments or local governments in remote areas. Some of the challenges are different, but it certainly underscored they are very evident in the state of Queensland.

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15 So thank you very much for your participation and now I adjourn the proceedings and the commission will resume tomorrow in Brisbane. Thank you.

20 **MATTER ADJOURNED 4.34 PM
UNTIL FRIDAY, 31 OCTOBER 2014**