



Australian Government
Productivity Commission

PRODUCTIVITY COMMISSION

**INQUIRY INTO NATURAL DISASTER
FUNDING ARRANGEMENTS**

MS K CHESTER, Commissioner
MR J COPPEL, Commissioner

TRANSCRIPT OF PROCEEDINGS

**AT MERCURE HOTEL, BRISBANE ON
FRIDAY, 31 OCTOBER 2014, AT 9.02 AM**

INDEX

	<u>Page</u>
GRIFFITH UNIVERSITY JIM McGOWAN ANNE TIERNAN	2-14
TEGWEN HOWELL	14-19
LOCKYER VALLEY REGIONAL COUNCIL STEVE JONES	20-27
ROCKHAMPTON REGIONAL COUNCIL MARGARET STRELOW	27-37
QUEENSLAND GOVERNMENT THE HON DAVID CRISAFULLI	37-54
REGIONAL DEVELOPMENT AUSTRALIA FITZROY AND CENTRAL WEST GREG BELZ REES BANKS	55-60
PLANNING INSTITUTE OF AUSTRALIA KATE ISLES	61-72
LOCAL GOVERNMENT ASSOCIATION OF QUEENSLAND GREG HOFFMAN SIMMONE TALBOT LUKE HANNAN DAVID SWAN	72-91
MOREE PLAINS SHIRE COUNCIL IAN DINHAM	91-97

**TOOWOOMBA REGIONAL COUNCIL
PAUL ANTONIO
MICHAEL BRADY** **97-103**

**NATIONAL CLIMATE CHANGE ADAPTATION
RESEARCH FACILITY
JEAN PALUTIKOF** **104-111**

**AUSTRALIAN GOVERNMENT RECONSTRUCTION
INSPECTORATE
MARTIN ALBRECHT
GREG WICKS** **111-119**

ADAM MATTHEWS **120-122**

MR COPPEL: Good morning, ladies and gentlemen, welcome to the public hearings for the Productivity Commission Inquiry into Natural Disaster Funding Arrangements. My name is Jonathan Coppel and I'm one of the Commissioners on this Inquiry, and my fellow Commissioner is
5 Karen Chester.

The Inquiry started with a reference from the Australian government in April and covers the full scope of Commonwealth, state and territory expenditure on natural disaster mitigation, resilience and recovery. We
10 released an issues paper in May and have been receiving submissions since then.

We have talked to a range of organisations and individuals with an interest in the issues and held round tables in July, and a number of you
15 here today participated in those round tables as well as made initial contributions by way of submission and also submissions on the draft report, which we are very thankful for. We released the draft report in September and have received about 75 submissions on that draft report since then.

20 The purpose of these hearings is to facilitate public scrutiny of the Commission's work and to get comment and feedback on the draft report. This week the Commission held public hearings in Sydney, Melbourne and Townsville. Following the final hearing today, in Brisbane, we will
25 working towards completing the final report, having considered all the evidence presented at the hearings and in the submissions, as well as other informal discussions.

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

We like to conduct all hearings in a reasonably informal manner, but I
35 remind participants that a full transcript is being taken. For this reason, comments from the floor cannot be taken but at the end of today's proceedings I will provide an opportunity for anyone who wishes to do so to make a brief presentation. Participants are not required to take an oath but are required, under the Productivity Commission Act, to be truthful in
40 their remarks. Participants are welcomed to comment on the issues raised in other submissions. The transcript of the hearings today, and the other hearings, will be made available to participants and will be available from the Commission's website following the hearings. Submissions are also available on the PC website. For any media representatives attending
45 today some general rules apply and please see one of our staff for a

handout which explains the rules. The members of the team at the back of the room.

(Housekeeping matters)

5

Participants are invited to make some opening remarks of no more than five minutes. Keeping the opening remarks brief will allow us the opportunity to discuss matters in participant's submission in greater detail.

10

On that note I'd like to now welcome Jim McGowan and Anne Tiernan, from Griffith University. If you could present your name and organisation, for the benefit of the transcript, and then I invite you to make a short opening statement. Thank you.

15

DR McGOWAN: Jim McGowan, adjunct professor with Griffith University.

DR TIERNAN: Anne Tiernan, associate professor at Griffith University.

20

DR McGOWAN: I'll start with some commentary; I won't go through our submission, which we presented following your draft report.

25

The importance of concepts such as risk, risk assessment, cost benefit analysis permeate the draft report, and that's as it should be. Such notions are central to the stated national objective of building individual and community resilience. In that context, though, the proposed allocation of mitigation funding to states, on a per capita basis, runs counter to the broader philosophy underpinning the draft report. This inconsistency is exacerbated by the recommendations that states allocate their mitigation funding to local authorities and to their own infrastructure on the basis of risk and cost benefit. Now, what's good for the gander ought to be good for the goose.

30

35

The current mitigation funding already has such an element, which would be further refined, on the basis of historical data. As the report notes, vulnerability is influenced by population, as it is relevant to the risk assessments and to cost benefit analyses. Secondly, the Productivity Commission and the federal government risk jeopardising a once in a generation opportunity to change the current funding and policy frameworks by the proposal to allocate only \$200 million to mitigation funding while estimating potential savings of three times that amount.

40

45

The combined potential of the total Commonwealth allocation and its distribution, based upon population, will significantly disadvantage Queensland and the Northern Territory and perhaps Western Australia.

Historical data demonstrates that Queensland is the state of disasters, having significant risks across the broadest range of disaster types.

5 Politically the current proposal involving those two elements won't fly. Risking a potential for a change, which is clearly needed, particularly with the likely impacts of climate change on the frequency and impact of climate-related natural disasters, we offer support for option two, the revised NDRRA and top-up insurance, because we believe that will force the Queensland government, and other governments, to seriously review
10 its approach and ensure its commitment to mitigation and resilience.

We don't agree with the commentary in relation to small business support, but neither do we support a one cap fits all approach. The Regional Australia Institute report, for which we were contracted to
15 undertake the case studies and write the draft, acknowledges smaller, rural-based communities are dependent upon local businesses. Communities have different dependencies. The recovery needs of Marysville and Cardwell were very different to Emerald and Brisbane.

20 We support the use of direct grants where local circumstances warrant economic support for small businesses. If I can regress, large more diversified cities and towns can actually recover from these disasters relatively effectively. It is smaller communities, which are often based upon tourism and similar natural advantages, that potentially suffer the
25 most.

Finally, I'd ask Associate Professor Anne Tiernan to address the need for a national cost benefit database to provide comparative information on the efficacy of mitigation funding to ensure that the Commonwealth's
30 objective of value for money in these projects can actually be delivered.

DR TIERNAN: Thanks, Jim. So the Griffith University undertook some work on the betterment provisions of the National Disaster Relief and Recovery Arrangements. We conducted an extensive literature review in
35 2010 and we were struck by the limited analysis of cost benefits and mitigation investments internationally. The best available data comes from the US, where FEMA had 10 years of data available to calculate a return on investment.

40 Australia lacks comparable data to assess the return on investment from mitigation investment, so we think that's an important priority for the Commission to consider in developing a capacity to assess the return on investment from mitigation investments. So that would be something that we'd recommend. We note, too, the impact of the federal/state
45 relations White Paper on this process and the tax review in considering the

vertical fiscal imbalance issues that underpin a lot of the tension in this area.

5 **MR COPPEL:** Thank you very much. Maybe I could begin by talking about your comments on mitigation. There were a couple of points that you raised, one was the quantum and the other is how the allocation is determined across the country.

10 In our report we recognise that there are elements of the arrangements that lead to advice that favours resources going to recovery rather than to mitigation and better preparedness and we recognise that that balance is leading to inefficiencies in how natural disaster risks are managed. But we weren't able to get a sense of the relative proportions or the optimal degree of mitigation. Part of the reason for that is the point that you made
15 of our limited availability of cost benefit analyses. So I'm interested in how you reach a number of the order of \$600 million, on what basis - - -

DR McGOWAN: It's in your report.

20 **MR COPPEL:** Sorry?

DR McGOWAN: The figure is in your report.

25 **MR COPPEL:** That \$600 million is looking at what would be the imputed savings, looking backwards from changes to the natural disaster funding arrangements. But you would want to look at mitigation from the perspective of whether you get a decent bang for your buck, and that's not going to be an outcome of such a process.

30 **DR McGOWAN:** We did say, in our report, that we understood that some of this is unable to be quantified precisely, so we did support the notion that the increase in mitigation funding be phased in, and you've got it phased in over a period of three years to \$200 million. We're saying let's phase it in over a longer period to a higher level, commensurate with
35 the sort of potential savings that come from mitigation. But this will never be pure because the investment in mitigation will, in fact, hide the potential cost if you hadn't have done that stuff anyway. So in the context of further disasters you actually have to imply or impute projected savings and build the model around that.

40
45 My fear is that - and we've talked about this, that the figure of \$200 million is roughly twice the current mitigation funding - the \$100 million is clearly inadequate, even though when you add the state's component to that you get \$200 million, so potentially you're doubling that. We don't think that's commensurate with what the costs are and, indeed, when I

5 was in the Department of Community Safety, as the Director General, in the year in which Yasi and the Brisbane floods occurred, arguably the costs were about \$15 billion to Queensland, from those events. I know because I allocated the mitigation funding and Queensland spent \$9 million in that year.

10 \$15 billion as the cost and \$9 million as the investment in preventing this stuff happening does not compute in any rational way. One of the excellent pieces of work that you've done, in the Productivity Commission, is actually articulated why, looking at risk and risk assessments and cost benefit analysis in order to project or present more money, in terms of preparation and mitigation, as distinct from having to spend at the rear end, which is what we currently do, is, in fact, an excellent piece of public policy, for which we commend you, but we think
15 it's risk is on the level of mitigation funding that you propose. But I can imagine later on today there'll be people giving evidence who will be critical of the whole package, on the basis of that and, indeed, the notion that it would be distributed on a per capital basis to the states is, in fact, a retrograde step when the miserly existing money for mitigation is already
20 based upon a sort of population/risk profile, even though I'm unable to work out how those figures were determined because they seem to have just come out of the ether to somehow reflect a balance between population and risk.

25 But it would be grossly unfair on the public of Queensland for the allocation of mitigation funds to be done on per capita basis when even the most cursory look at risk would establish the risk of Queensland; tropical, along the coast, storms and cyclones, as not warranting a loading over and above that which would apply on the straight population basis.

30 **MR COPPEL:** We'll get on to the allocation mechanism in a moment. The mitigation fund proposed is to be matched by dollar for dollar at a state and territory jurisdictional level and there may be also further matching at local government level. Do you think that there is the capacity, if such a fund were tripled in size, to match that co-contribution?
35

40 **DR McGOWAN:** I think that's an interesting question and I won't speak for local government because many of our local governments, particularly in the vulnerable areas, don't have the financial capacity to match that, which is part of the problem currently with the NDRRA arrangements anyway as they apply post event. But I think that the Commonwealth has the trigger that says to states like Queensland, "We're prepared to allocate X on the basis that you match that." If they don't match it they don't get the money. It seems to me that the Commonwealth holds the lever that is
45 critical about that. I think it's then a matter for the people of Queensland,

and others, to insist that the state government does meet its obligations under mitigation funding and I think that will happen each and every time there is a disaster, which will occur in Queensland each and every year, as it has for basically ever and a day.

5

So I think the Commonwealth has the lever that says, “We’re prepared to offer this, but the offer of this is on the basis that you match it. If you don’t match it you don’t get the money” and therefore it becomes a political risk for the state government.

10

DR TIERNAN: But it must be risk-based. It must be risk-based or it’s just inherently unfair.

MR COPPEL: We’ll get onto that in a moment. One of the other wrap arounds to the mitigation funds are certain institutional and governance practices that relates to the selection and identification process. But it also includes, where possible, using cost recovery from those areas where there may be private benefits. Do you have any views on those conditions that wrap around the mitigation?

15

DR McGOWAN: I think we support the arguments that you have in your draft report that says there’s a role here for the private sector where they are beneficiaries of this investment. Clearly the insurance companies need to do more around mitigation funding, as they do in other countries, including the United States.

20

They seem to, in Australia, want the government to do all of that whereas, in fact, there is two ways in which the insurance companies can lever that. That is investment in some projects which mitigates their potential losses, but also recognising, by way of reduced premiums, those people who have taken action themselves to reduce their risk. They seem to have a loading onto premiums where, particularly, for example, the flooding in Emerald and Charleville and Roma are concerned, they don’t seem to have the same discount to insurance premiums that apply when people have taken steps to mitigate their risk, whether that’s business or, indeed, individuals.

25

I think that comes to that whole question about shared responsibility, which is in the national strategy, and about people actually taking ownership of that. One of the things we need to guard against, I think, collectively is the sort of increasing dependence that individuals, and others, have on governments to bail them out of all of these events, post-event. That goes to, I think, all of us having a greater focus on what we need to do to prepare and mitigate our risks around these disasters.

30

35

40

45

DR TIERNAN: If I could just comment; inviting private investment in mitigation initiatives would be greatly assisted by a dataset and I think that could be done historically, even on the basis of events in the last 10 years. NDRRA funding has a rich dataset of projects that have been funding, things that have happened in rebuilding and the recurrent events that have taken things out. You could develop a historical case study and use a set of measures to try and calculate or estimate a return on investment. I think that's a critical lever the government has is information, in terms of making those things available, and it would be my impression that the Business Industry Roundtable did some excellent work and would be very open to accessing a dataset like that. It's entirely possible and easily done, I would have thought.

DR McGOWAN: The broader accountability issue, which says you don't just had money over and hope that people are going to do something effectively with it. One of the problems with small bits of money is that we spent lots of money on studies and those things, but we've actually done little, at least until recently, to actually change the circumstances to protect citizens in these events.

Historically, Lismore, for example, used to have a significant flooding problem, almost annually. They built the levees, that doesn't seem to happen anymore. Why haven't we continued to require the people receiving the benefit of mitigation funding to provide an analysis post that work about what effectiveness it is?

For example, the work in Charleville. It seems to me big money is spent and I think relatively effectively, but we don't actually then tag onto something that says, "We will evaluate what it is that was the consequence of that." Now, that might cost \$10-15,000, in terms of a big project for which you spend millions, but we simply build, go away and don't take the learnings of those buildings or that infrastructure work to apply in future circumstances.

I think that level of accountability is important and I think the risk that you have if you don't actually require cost benefit analysis and those things, is that you do what we currently do, which is spend money to build bridges to have them knocked over in the next flood because we actually don't have a sophisticated way of actually assessing value for money in these mitigation projects. The work that Griffith did earlier on, around the betterment, which is a very interesting report which hasn't seen the light of day, is about that strengthening of those accountability mechanisms.

DR TIERNAN: I'd make a more general point, we've done a lot of work around the policy context in disaster recovery, and I suppose our critique

would be the lack of feedback loops between relief and recovery and back into prevention and preparedness. So a real loss of the policy learning that could happen, from one process into the next.

5 In fact, I think this has been a very successful area of federalism and inter-governmental cooperation. I often cite it internationally as an area of really good performance in Australia, over a long period of time. But the real weakness is in that feedback loop, in the post recovery period.

10 **MR COPPEL:** So if I can come back to the allocation of a mitigation fund, you're proposing that it should be based on a measure of risk?

DR McGOWAN: Yes.

15 **MR COPPEL:** How would you go about doing that?

DR McGOWAN: I think if you look at historical data about events. What they were, what they're like. I mean the broader formula, your chapter on risk is better than any text book that I've read anywhere around that - in that supplementary section, I think part 2 or whatever you call it. It's terrific. I thought it was a piece of work which was excellent. It is about vulnerability and it is about likelihood and those two factors are how you determined risk.

25 Vulnerability is a factor of population so the Western Australian coast, similar profile in terms of cyclones to Queensland, but not many people. But the Queensland coast, cities from Cairns, Rockhampton, Mackay, Townsville and to Hervey Bay are significant population groups where that vulnerability exists and that's why the costs in Queensland have been greater than what they are experienced for similar or even stronger events that might hit a more isolated Western Australian coast. It's an established formula. Likelihood plus vulnerability and we have lots of data, over time, to enable us to do that.

35 I think, in our paper, we suggest that even if you can't do that in the short term, use the current breakdown, which the states seem to have accepted, as the basis of the allocation, which gives a loading to Queensland, Northern Territory and Western Australia, I think, and, without being too rude, South Australia is pretty benign in terms of its risk profile and the notion that the Commonwealth government would give almost the same amount of money to South Australia as it would to Queensland to mitigate natural disasters would not be equitable or sensible, in reality.

5 So I don't have the formula, but I'm sure there are people smart enough, and I'm sure Griffith would offer to do that work for the Commonwealth, should they wish. But I'm sure you can develop that, historically over time, and you could apply that in a way that provides that sort of equity. If there's a mechanism by which it's reviewed, that is, circumstances change under climate change that makes New South Wales perhaps more vulnerable to some of the events that Queensland's had in the past, well then it can be adjusted. But they're longer term provisions and ought to be able to be done. The fall-back position is that there is a current model, I don't know where it came from, but it's better than what you're proposing, in terms of per capita adjustment to those fundings.

15 **DR TIERNAN:** If I can just mention, I mentioned it to your secretarial staff, colleagues from our financial and economics group, who are part of the team that I led on the betterment work, have developed a betterment cost benefit methodology and they've got an article forthcoming in the International Journal of Disasters that I'll make available.

20 **MR COPPEL:** It's been pointed out to us that given trends in settlements that Queensland's future exposure to risk may be on an upward trajectory and that looking backwards would give a misleading picture. Insurance companies use Cat modelling and it's been suggested that that could be an instrument used for getting a more rigorous view of where risk lies. I don't know if you've got any experience with those models and whether they're sufficiently robust to be used for such a purpose.

30 **DR McGOWAN:** If that could be done, that would be fine. My more practical view about that is it would be easier to explain to politicians on the basis of what's happened than on what might happen, in terms of how you allocate those things. But if there is expertise and work around that, then surely that's worth considering.

35 If there is a mechanism by which you adjust, even though you are in lag, it's still a better method than an alternative, straight per capita allocation. Historical data is very difficult to argue against, from people who might want to argue that case.

40 **MR COPPEL:** The third dimension relating to the mitigation was the transition period. You've argued that it would be better if it were a longer transition period. Can you elaborate a bit more on why that is and I think you mentioned five years?

45 **DR McGOWAN:** When we were looking at this the idea that the savings coming from this aren't able to be precisely measured in the short term, means that there's not a bucket of government money that's immediately

available to government and the way in which we might manage that is by actually making some assessments by what we'll save by mitigation projects over a period of time and having that as extra resources to be added to the fuel later on.

5

Really just building on your own notion that you were going to build up to the \$200 million over a period of time, I think we would argue that \$200 million is inadequate and that a figure higher than that would be desirable but that might mean that people have to actually accept that it's going to take a longer period of time to achieve that objective. No more sophisticated an analysis than that, I don't think.

10

DR TIERNAN: It also can't be separated, as I mentioned, from the two other processes that are under way. The White Paper on federation and the tax review. The state's dependency, in this area, arises from the vertical fiscal imbalance, quite clearly. So I think five years would allow some of those processes. That's the real challenge of policy coherence in this area, isn't it, bringing these various processes into some alignment. I think this is a great contribution to it.

15

MR COPPEL: Part of the thinking behind the transition that we propose in the draft report is that a number of the arrangements that would support the mitigation fund would take time to put in place, and we're just trying to get a sense of whether you thought that those sorts of arrangements would be ones that would take longer than what we envisaged?

20

DR McGOWAN: No. I think when we were looking at that, it was simply a matter that the \$200 million didn't seem adequate to meet expectations that might be around, particularly in a sense that these mitigation projects are often quite expensive. But it's better to actually fix or try to fix a problem than to give bits of money to a whole range of projects. So an allocation that says \$40 million split 12 ways amongst local governments is not a better option than \$40 million which might fix a problem that might save more money than that in one hit. That's a challenge for governments because they don't tend to find it easy to actually make calls about where the investment is better targeted.

25

30

35

But if you've got a rigorous cost benefit model, and Griffith's done some work around that, then you ought to be able to run the argument in the public about why this project is being prioritised. That's what governments should do. That's what political leaders should do. That's what bureaucrats should do, is have the capacity to argue why investments are going here, rather than respond to squeaky wheels or other immediate problems.

40

45

DR TIERNAN: It's not like state governments don't know what their critical infrastructure is, they do. So I think your point about institutional and governance practices is really important, in terms of in the priority setting. But we've had very good cooperation between Commonwealth and state governments over a very long period of time that work could be done. The fact that the betterment provision sat unused from 2007 until recently tells you something about the attitude of the Department of Finance, I think, would be my conclusion from the work that we have done, than the willingness on behalf of state/territory and Commonwealth officials with responsibilities for these things to sit down and work out what the critical investments would be.

MR COPPEL: I just want to pick up the final point, for myself, that relates to your comment on the disaster recovery payment, where you argue that you think it's important for these payments to sustain, particularly, small communities. In our report we've used, primarily, a principle-based approach to framing some of the recommendations, and part of that is to put in place arrangements where the owner of the asset is responsible for the management of that asset and the risk associated with it. In these areas where there are possibilities for businesses to take out insurance these sorts of payments can work at the margin to reduce the incentive, which I think was a point you made in your opening remarks. So I'm curious to hear from you whether you see any broader benefits, or community benefits, from such payments that would justify it?

DR McGOWAN: If you were to look at our broader commentary around recovery, we actually don't think that these payments are around recovery. We actually would describe what currently is the investment is in relief and reconstruction and recovery is not part of that, too short a timeframe. We don't actually sit down and have a look at Marysville and Cardwell and say, "What's the future look like?" and we therefore don't make our investments in terms of relief funding, or anything else, on the basis of what might be the future of that community.

Then we get the perverse sort of commentary like, "We'll rebuild Marysville brick by brick" when, in fact, you can't do that. What you've done is lost that place. So you actually have to have a planning model that says, "What's the future of this particular community?" and therefore target the investment towards that future, as distinct from trying to rebuild something that's not possible. So you get waste, and we've had a look at that and the RAI report has a commentary on that.

We ought to use hardship payments, for want of a better term, to help support the community recovery in those places that are affected rather than be money given to individuals for inconvenience. Without being too

critical of that, some of that money goes to people - you know, the notion that you were without electricity for 36 hours, that generated a grant of \$1000. That's an extraordinary waste. I'm reasonably comfortable, in terms of my standard of living, but I open the fridge and I don't have \$1000 worth of stuff in the fridge. So some of those concepts are misguided.

Secondly, good intentions sometimes deliver unintended consequences. So when people in Cardwell are provided with vouchers from Woolworths, the problem is that there's no Woolworths in Cardwell or Tully. There's an IGA, but what you do is actually give vouchers to people to spend in places like Cairns and Townsville, where they're not affected so much by this disaster. So we need to have some thought about what's the model by which we can give money to people - or give support to people who are genuinely in need, but which actually works to benefit the local economy, rather than has these unintended consequences.

I'm not talking about the resources that we ought to give to people's whose homes are destroyed, because I separate that out to say, "Yes, there ought to be a compassionate approach from Australian governments at all levels to people who have been directly affected." I'm talking about some of the other payments that are made, as part of this process, which are, for want of a better term, for levels of inconvenience rather than for people who are directly or unreasonably affected by the disasters.

So I think we need to think about how we can better target that money, how we can better focus that on recovery and how, if that can be done, how that money can be better directed towards rebuilding or re-engineering infrastructure that will enable us to avoid those sorts of things.

The most critical thing for business has been able to get in and out. So if our roads or rail networks are cut, or if our virtual networks are cut that has very serious impact and we ought to recognise that being able to trade; get goods in, get goods out, ought to be the first priority in terms of how we focus on the economic recovery of particularly these smaller, rural centres. And, as I say, I think - and I know government struggle with this, the one cap fits all models seems to have better political acceptance, but the impacts are not the same and recovery is not the same if you happen to live in a diversified economy where other jobs are available, as distinct from if you live in a small centre where the economic basis of that centre are quite narrow in their opportunities.

So our view is we ought to relook at recovery. We ought to look at it on a case by case basis and we ought to try and get people in, with local

people, to try and engage about what it is that's needed to actually move that particular community forward.

5 **DR TIERNAN:** But you don't wait until the disaster for that to happen. So our critique could be, or our recommendation would be you need to separate relief and reconstruction from recovery, which has a longer time horizon, but you need to be engaging communities on the basis of their vulnerability and risk, ahead or post-disaster where you've had, in some communities recently, in a strategic planning process about what these scenarios and options might be. We looked at some policy options around
10 that and we thought there was significant scope for the banks and the insurance companies and the private sector to be very involved in that, that doesn't all need to be government.

15 **MS CHESTER:** I just have one quick, follow up question, if I may? Anne, you mentioned, earlier on, a concept of some national body to help with cost benefit analysis. I just want to mention that we fully understand that. As we kind of get it, for good cost benefit analysis you need three things, you need some data, you need a good methodology and you need
20 good capacity to then actually be able to do the analysis. What role do you see that national body playing? We did touch on, in our report, ensuring that Local Government Associations and state governments provide additional capacity and support to local government, who we have seen as being the primary drivers of identifying mitigation options and
25 having cost benefit analysis done.

DR TIERNAN: I am not an economist, but I don't think I suggested a national body. I think a national database is one that should be considered.

30 **MS CHESTER:** This was an Australian Business Roundtable proposal, is that what you - - -

DR TIERNAN: Yes, I think it's pretty congruent with that. The one that
35 was done in the US was on the basis of data from FEMA over 10 years. So they'd collected 5479 mitigation grants that they'd made and they'd done a bunch of work. There is an enormous amount of data between the tiers of government on this and in different portfolios that could be consolidated into a national database.

40 **DR McGOWAN:** But nationally consistent methodology about cost benefit analysis is important because you want to be able to be able to compare the results. So nationally consistent, rather than a national body to do.

45

MS CHESTER: Thank you, that's helpful.

MR COPPEL: Thanks very much, Jim and Anne.

5 Our next participant is Tegwen Howell. I invite you to come to the
table and when you're comfortable if you could, for the record, provide
your full name and who you represent. Thank you.

10 **MS HOWELL:** My name is Tegwen Howell and I'm here, actually, not
representing anyone, other than people who know what it's like to be
affected by a natural disaster.

15 I am fortunate, or unfortunate, depending on how you want to look at
it, in that we lost our home in 2011. We finally got back into our own
home again one month shy of the three-year mark, so I have good ideas of
what it's like to be in that capacity. I also happen to be fortunate in that
I'm a health economist with an interest in public health and a strong
believer in that prevention is better than cure and that many of the aspects
of natural disasters which have an impact on health are things which tend
20 to be overlooked.

25 Some of my reasons for being here today are to try and provide that
more personalised side to how funding can help, particularly with the
longer-term recovery. I have my views on mitigation, obviously, having
been flood affected. But at the end of the day, Brisbane will flood again,
probably, before they sort out how they're going to manage the floods, in
terms of that mitigation. So the thing is how do people plan for that sort
of thing and, again, I think I can provide some insight from that
perspective.

30 **MR COPPEL:** Thank you very much. Maybe we can start with some of
the issues that do relate to public health, following a natural disaster. I see
in your initial submission that you've talked about an issue of clean up,
following a natural disaster, with respect to silt and some made the point
35 that it was inequitable because there were some properties that were
cleared up and some that weren't. This relates to part of draft report,
because we're looking at counter-disaster operations and the relative role
of the property owner vis-à-vis the local council that takes charge of these
clean-up operations. Getting back to the basic principle that the private
40 property owner takes charge of costs associated with the clear up on their
property, but there may be public benefits that are linked, for example, to
health risks that may justify a government contribution. I'd be interested
in hearing if you have any views on how to draw that dividing line
between what is a private benefit and what would be a broader health
45 benefit or other social benefit.

MS HOWELL: Just so people understand, we had complete flood insurance, comprehensive flood insurance which, as it turned out, wasn't particularly helpful for many reasons, and we already had a plan in place
5 prior to the flood in knowing that we were in a flood-prone area, so there were certain things put in place. However, having said that, it didn't all obviously go to plan.

10 We had 50 cubic metres of silt that was washed out of our house and, because it was washed out of the house, the local recovery effort was such that because it was no longer in the house we had to pay to have it removed, rather than them take it away. If it had been in the house they would still have taken it away. I don't know how they would have got it out, but that's by the by, but we had to pay to have it removed.

15 That, in itself, cost about \$5000. Removing that silt, physically, was hard. There was asbestos in it, admittedly the asbestos was wet, however there was also other things in it, including steel and a range of other things, we didn't have sewerage. Consequently how it was moved, we
20 then had a problem in where we could take it. So we paid to have it removed but rather than it simply go to a tip we then actually had to pay an additional amount for it to go further away because of what was in it, because of the asbestos, et cetera, that was in it, yet the people two doors down, theirs was just taken to the local sports ground and dumped at the
25 local sports ground, again with asbestos in it, to be taken away. Double handled actually, to be taken away.

30 So I think that there are issues there in terms of how things could be managed and, again, as I said, I'm here more to try and give what it's like walking the walk type side of things and trying to plan so that when these events arise that there is better mechanisms put in place and so that it's more uniformed, certainly within areas, as to how it's managed.

MR COPPEL: So is the central concern the inequity in the way in which
35 this experience played out in your community, or is it a view that this is something which the individual property owner should be responsible for and that applies for you and - - -

MS HOWELL: Well, it was certainly inequitable in the way that it was
40 handled. As a property owner, yes, I'm a strong believer that we had to get in there and do our bit, which we certainly did. However, there were things put in place to help people cleaning their properties, but then we were taking the initiative to try and help clear our property but then we were met with obstacles which were not consistent, even within the area,
45 as to how people removed items and not just silt, from their properties. In

some cases the asbestos was simply pushed into the river, which didn't seem to be the best thing to do.

5 **MR COPPEL:** You also made the point that it's important to be better prepared and to have a plan, and I note that you've done work, yourself, on mitigating these points. Can you say anything more about that?

10 **MS HOWELL:** Yes. In the immediate aftermath there were four of us who got together and prepared a document on preparing for flood, that came from our personal experiences, myself being the worst affected, to one of the people who was involved with the recovery effort in the local area. We put together a document on how to plan - now we, as I said, already had a plan in place for our household, actually from previous experience from a bushfire, knowing that the first things you take out of
15 your home are your important documents like photos and your legal documents. The china you can leave and the stuff in the fridge you can leave, because they can be replaced. Replacing those other things, you just can't do it.

20 So we put this document together so that people had a quick tick list where they could know and plan for future events and, let's face it, two years later other people in Brisbane flooded again.

25 Since 2011 we have approached every level of government from local to federal, plus heaven knows how many other organisations, asking them to take ownership of this document. We've not asked to be paid for it, we simply wanted to make it available to people, in a public forum, because we're just four local members, local participants who aren't in a position to be able to provide it, but where it could be made available to people,
30 and it was very straightforward. Yet at every level we have been told, time and time again, "Thank you, but no thank you. In actual fact we have people here who can prepare the same sort of document, we don't need that information from someone -" a group of people who actually know what it was like to go through that process and therefore have got things that are efficient. For example, there is simply no point in sandbagging
35 your house if you know it's going to go under water. You're better off spending that time removing your items from the house than sandbagging a couple of windows. It's trying to plan appropriately. We have met with one obstacle after another where we've tried to make this available and nobody actually wants to learn from people who actually have first-hand
40 experience.

45 **MR COPPEL:** Partly connected to that, you mentioned that you're in an area that is flood prone and your house was lost and presumably there are others also in the community that lost their homes?

MS HOWELL: Yes.

MR COPPEL: Are they being rebuilt in a way that is more resilient?

5

MS HOWELL: I think the latest statistic is about one per cent of homes that have been rebuilt have not been replaced like for like. In our case we have not replaced like for like. The house had to be totally demolished and it was interesting what was said previously, in terms of the impact on insurance, because it's made no difference, but also in terms of the other things we have done. So the new living area is actually 500 mil above the '74 flood height and we have power split, power boards are now up high. So we have taken a lot of steps so that when there is another flood, in theory we can just sit there and watch the water go through the bottom, because there's absolutely no liveable space down below that floor level. In theory, things are put in place so that we would - it would minimise the damage to the house. Yes, if it flooded again there would be some damage but it should be minimal.

20 That has had no impact on our insurance, even though the insurance company did actually indicate that if we built differently, although the premiums would have to go up because we had previously been flood affected, they would then take into account the fact that we had taken steps for the future to mitigate any future damage. But, in actual fact, that has had no impact on the premiums whatsoever. And they have since indicated, in fact, they won't take it into consideration.

25 **MR COPPEL:** You mentioned that the statistics were 1 in 100 houses had not been built differently pre and post-flood.

30

MS HOWELL: Yes.

MR COPPEL: Is it possible to get the source of that fact?

35 **MS HOWELL:** Yes, Geosciences Australia have done some work on that area, which I can certainly get it for you and send it through to you.

MR COPPEL: This is within the flood prone area?

40 **MS HOWELL:** It was across Queensland, actually, yes.

MR COPPEL: Across Queensland. On the insurance side, because we've heard from a number of insurers that often if better information is made available, it's better possible to price the premium in a more granular way. So in the past it's often been based on postcode.

45

MS HOWELL: Yes.

5 **MR COPPEL:** So irrespective of what an individual property owner does, if that area is in a flood prone area, it won't reflect any improvements that have been made to strengthen the resilience. But this is an area that's changed quite substantially following the recent major floods. Was there any explanation given as to why the measures that you took weren't considered to be ones that would reduce the probability of a claim?

10 **MS HOWELL:** The ones we've taken now, with the new house? It is my understanding that the insurance company has now gone in and actually looked at the area street by street, so obviously within a postcode some people were flood-affected and some people weren't, so they've actually gone in street by street, and regardless of what steps you've taken, they have now decided that you're still flood risk. Which we obviously are, to a point, however, we aren't at the same sort of risk that we were with the previous house.

15 **MS HOWELL:** The last time the premiums were due, if I recall correctly, the argument was that they were still working their way through the process as to how they were going to accommodate it. But the implication was that in actual fact, even though we'd taken such measures, they wouldn't actually take that into consideration, longer term.

20 **MS CHESTER:** Just one quick question: In our draft report we also talk about the quantum of relief assistance provided to individuals after the event of a natural disaster, and we've raised issues about how eligibility has changed over time. Be good to get your sense of the relief payments that you and your family received post-flood from government. And also a coalface insight into whether that quantum was enough to get you through those first few days.

25 **MS HOWELL:** The funding that we received, particularly in those early days, was limited, for various reasons. I think partly because the system was simply overwhelmed, to be fair to the people trying to deal with it. And we were fortunate, at least in those early days, to be able to accommodate that. Longer term, it was a big problem, and became an increasing problem. To go back a step, even though we had flood insurance for the house, in the end it didn't cover 50 per cent of what we actually have had to pay out of those three years, just to put it in perspective.

5 We did receive some funding, which was helpful, and some of that
actually went to help to pay to have silt moved away, amongst other
things, however, longer term there was not much, if anything, that was
available, for us, and my understanding is that that was much the same
10 across the community. I would suggest that perhaps one of the issues
longer term is that in the early days people can manage to a point, it's the
longer term. And even people who get back into their homes relatively
quickly, they still have ongoing costs where they have paid - they've now
got to perhaps increase their mortgage to pay for the repair, plus as well as
the mortgage they already had on the house.

15 Longer term, it's about that two year mark where they really start to
hit the wall and where they can no longer manage financially, and that's
when - there was a peak in suicides, dropped off, and then it went up again
at about the two year mark, for example. It's at that longer-term where
things could be put in place for people who are significantly affected. I
mean I'd have to agree with what Jim said before.

20 Interestingly, even though they told people that they were going to
lose power, the first things that were sold out in Woolworths were
perishable foods. So even though people in the area knew that they were
about to lose their power for up to a week, they went and bought frozen
food and then expected the government to cover that cost.

25 Now, why did they go and buy perishable food when they've been
told they were going to lose power? They can't expect the government to
bail them out then if they chose to take that - they should actually have
gone and bought dried food, for example. So I think, perhaps it could be
managed differently. Again, one cap doesn't fit all, but also I appreciate
30 that issues of handling are difficult, however I do think it needs to be
looked at on a more individual basis that just assuming that you can just
go into one area and handle it like this, because it just doesn't work.

35 **MS CHESTER:** Thank you.

MR COPPEL: Thank you very much, Tegwen.

40 If I could now call on the next participant, the Lockyer Valley
Regional Council, Mayor Steve Jones. Thank you very much for the
involvement the council has had so far with this inquiry. We've received
an initial submission, also a submission on the draft report and
participation in one of the roundtables. So we're very grateful for your
ongoing participation in the inquiry.

If, for the transcription record, you could give your name and organisation and then if you'd care to give a short statement, thank you.

5 **CR JONES:** Steve Jones, Lockyer Valley Regional Council. Thank you for the opportunity to be here today. Obviously we have put in a submission and no doubt our submission, like many of the others, will be around monetary matters. Of course that's very important to us because we've certainly had it very difficult, in financial terms, since the disaster.

10 Look, probably more importantly today I'd like to focus a little bit on the physical aspect of it, because what happened on that particular night in '11 there's probably not a politician in Queensland and probably not too many people in this room that would have experienced, in their lives, what happened that night. I think that's very much what drives our council.

15 It drives our council to a safer way forward for the people themselves and I think, in so doing, that attends to a lot of the financial matters. I think with regard to disasters, and particularly life-threatening disasters, as a nation we have to think outside the square.

20 Traditionally, it's been a case of going back in and repairing what was there, and obviously that's the easiest way for government to go. But I think we're at a time now, in terms of insurance, in terms of our community and our people, that, as a nation, we have to think better and beyond that.

25 I know that that's very challenging for governments. Governments find that very politically challenging, but I think disasters is the time when you do need to stand up. Our experience of '11, when we moved most of the inhabitants of Grantham to higher ground was, without a doubt, the most successful move we've ever made. If I was to step back from this role tomorrow, it's probably to me the most important thing that we've ever done, to know that those people are now out of harm's way.

35 That took a lot of manoeuvring to get to that point and certainly very little government support in the early days. But I think that's the stuff we need to think about. We hear about betterment, we hear about mitigation, well, we need to be really, really careful when we start talking about that stuff, because I know the insurance industry cannot continue on the platform it's on, it cannot continue with disasters, if they were to continue. I know governments cannot continue to shelve out money, as they have.

40 However, when we start talking about mitigation it's not an easy one. You go in and you do some initial studies. You might think that a levee bank will fix the problem. You need to get two or three, at least, opinions.

Moving water from one point might save one person and affect another five or six. It's one of the big concerns I've seen, with all this betterment discussion in Queensland, where you've had government so keen to get on with things quickly and do them, you need to be careful.

5

It's most important, if we want to talk about mitigation, let's be really sure of what we do, let's take all the factors on board. When it comes to betterment, there's not much good in putting in an eight inch pipe instead of a six inch pipe if you need one three metres in diameter. If we're going to be fair dinkum and we're going to make this betterment a real serious part of mitigation, government will have to take the hard yards. They'll have to stand up. They'll have to look at moving people. They'll have to look at whole new ideas of doing things. I think, from our council's point of view, that's one of the key points that we want to get across.

15

The time is right when we need to look at how the dollars are spent, how they can be spent more efficiently, more effectively. I think the time is right for us to have a look at all the means of how we handle disasters. It really just isn't acceptable to allow disaster after disaster with very little change in the way we approach things. Certainly the levels of mitigation and betterment need to be way beyond what we've experienced in recent times.

20

MR COPPEL: Can I start by focusing on this point about how recovery is undertaken, and there's a lot of wastage involved in rebuilding only for it to be rebuilt in the following year, or the amount of paperwork that is needed to be able to be eligible for funding. This is something that is recognised in the draft report. What we're proposing is a way in which councils, for instance, can use the resources that they have to decide how best to undertake both pre-disaster and post disaster planning or recovery works, because they're closest to the actual area and have the expertise. So you made the point about pipe dimensions, which isn't the easiest thing to determine, based in Canberra or based in Brisbane.

25

30

To do that we are proposing that the funding arrangements move away from a reimbursement model to a model that's based on providing an assessed cost of recovery, using benchmark prices. We'd be interested in hearing your views on that particular aspect of the draft report.

35

CR JONES: It certainly needs consideration because the present set up is hopeless. There's moves across the country for - at the operational top end of the state's approach to disaster - more and more political intervention. That is a major point in the present system - a major problem in the present system. I think the move that you're taking, obviously they're looking at, there needs to be a lot of work put into it.

40

45

But that work needs to be done. We need to look at alternates, because what's there hasn't been efficient. There's been some astronomical blunders, I suppose, not deliberately made, but made during the process, probably innocently, but it's too late once they're there.

5

If we have a look at just a simple example of that; look at the road network? The roads have been increased in height all over the place. We've got examples now where we've kilometres of double guard rail right across the flood plain. What's the long-term effect of that going to be? There needs to be a lot more local input. There needs to be a lot more practical, physical input and we need to get better value out of those works.

15 It's fine for someone to come in and have a theoretical approach to a problem. If they don't live there they don't understand it. Often the ramifications are huge and unfortunately people will pay for that in the future.

MR COPPEL: The Queensland Reconstruction Authority is already using the model based on benchmark prices and yesterday, in our hearings in Townsville, many of the local councils made the comment that it's working well but there may be differences in geography or costs of getting to remote areas. Are these issues in your council and are they issues that can be addressed within that framework?

25

CR JONES: Once again it comes back to the circumstances of where we're talking about. I mean there can be a massive difference from one end of the state to the other and there are all sorts of factors which are influential. I think those things need to be simply worked through, not just taken as set in concrete. I think, with examination, you'll get to the bottom of that.

30

MR COPPEL: Another issue that was repeated frequently yesterday, in relation to the proposal in the draft report and also the commentary, particularly from the Queensland government, in relation to the proposed changes to the funding arrangements, including the small disaster criteria. I'd be interested in knowing if a move from \$240,000, the current small disaster criteria, to \$2 million, how many natural disaster events, in your council area, would be excluded from such a change?

40

CR JONES: There would be a large number, particularly in the example of flooding. I think someone said the other day there'd been something like 10 or a dozen floods in 21 years in Grantham. This probably comes back to my initial introduction point where we have to think beyond just repairing what's there. I guess that's where your kick-in figure applies.

45

Obviously the new figure is a large figure for very small councils. I suppose one of the big problems with rural and regional councils, and more so rural and remote councils, is they are extremely stressed already in terms of their ability to pay and their ability to repair some of these circumstances. But there certainly needs to be encouragement to overcome the failures that continue to fail every time there's some sort of minor disaster.

MS CHESTER: When we were in Townsville yesterday, Steve, and discussing this issue, what became apparent was that maybe councils were misunderstanding how the small disaster criterion applied. They thought it was what happened within their own shire, as opposed to its event base. So if there's a major flood, cyclone, flood or whatever, it's the costs across different councils of that one event. So we got some data from QRA to suggest that over the last five or six years, out of the 35 events, only eight would miss out if we took it up to \$2 million.

I guess, at the end of the day, what we're trying to do is distinguish between what's a truly natural disaster event versus what's kind of like a routine weather event that local communities just need to get on and deal with.

CR JONES: Certainly I think most people are of the opinion that it's the local authority area. But that probably opens a further point and that is that local authority areas of common issues, in terms of disaster, should certainly be grouped together.

For example, with the flood with us, it starts in the higher parts of our shire, comes right down here to the bay. Now, that's been really important and that's something we've pushed for a long time. It is not, in fact, what government's necessarily pushing. The district disaster boundaries, for example, work, in our case, the opposite way. So I think there should, in fact, be some work done on that. I think that areas of common likely disasters should be grouped together, in terms of their state arrangements for the more operational side of things.

MS CHESTER: On the issue that you raised before, Steve, around betterment and you need to do it in a very smart, considered, careful way and not rush in and do it quickly so you don't get your eight inch pipe instead of your three metre pipe wrong, one person we spoke to early on in our meetings and consultations was pretty switched on and said, "The difference between mitigation and betterment is a disaster event has occurred."

5 It's an issue that I think you raised with us when we came up to Grantham and you took us around, about how your council was now approaching asset management planning differently and looking at assets that were at risk from future events and looking at what would be done in a betterment sense. It would be good to hear what progress has been made and what's your sense, in terms of what other councils are doing, so if an event does occur betterment can be sensibly built back into the recovery and reconstruction.

10 **CR JONES:** When you read all sorts of reports after a disaster they're full of technical information and complication. But when you have a look at many disasters, or many events, often common sense is at the basis of what needs to be done.

15 Probably the best example of that I can think about right now is we've got all these townships that are on floodplains, almost flat, less than a metre of fall right across the township, and have a look at the drainage system, full of rubbish, silt. We've got streams which, from bank to bank, at the top of the banks, should be at 20 metres at least, are down to 600
20 millimetres. Now, anyone with half a brain would know there's nowhere for the water to go. If they're full of rubbish like that, the place can't drain, it's going to flood. So we need to look at that simple, common sense stuff. If you're on a properly and you're trying to get water into the dam, you'd work out how to get it there, and that's what this is about.

25 We've got reports and reports, some of them full of absolute rubbish, you know, about don't take the log out of the stream because some animal lives under it, we'll he'll relocate. We need to look at how to get things to work in a simple way. That's at the basis of all this disaster stuff. We
30 need to look at all those simple things and we need to look at how we can make the show work. Unfortunately we seem to miss that through our complication and we miss that through all these massive processes that we're using to mitigate floods. A lot of the really simple stuff, and we need to do the simple stuff we're sure of. If we're unsure, we need to
35 study it and study it and study it to be sure before we make the move and not rush in. You know, continually we are bombarded with requests, politically, "Get this done by a certain date." Well, to be really honest with you, if we're being kind to our community we won't get it done by that date; we'll make sure we do the right thing.

40 **MR COPPEL:** On information in your submission on the draft report you make a point about the importance of information and that it be collated in a consistent way. Do you have any ideas who would be best placed to do that and do you have any views on whether there's any
45 information that is important but isn't being collected? Are there gaps?

5 **CR JONES:** I think we have to have a rethink completely of how we handle all the data, both after a disaster, during a disaster and prior to a disaster, at all levels, right across the whole disaster spectrum. We have enormous problems in this. That information needs to be collected in a way, by some entity, that's got the time and the capability and the processes to do it. But even prior to disasters we've got problems. I mean everyone in this room would know there's been grass fires the last week all around here.

10
15 Even the data that's been collected for that is not necessarily helping out. I mean all the fire information we receive is for west of the Great Dividing Range, no use to us at all. The same thing during the disasters and post disaster. We need to think about how we do it and I think there needs to be a lot of work go into so that we have a common, simple system.

20 Look, all the way through disasters the one word that's extremely important on every aspect is simplicity. We've got all these people that want careers for themselves making everything as complicated and as technical as possible so they look extremely intelligent. We need to come back to simplicity, at the bottom line, simple things that work, that's what we've got to have.

25 **MR COPPEL:** Do you have a view of that information should be collected by the state government in Queensland, or is it something for a higher body?

30 **CR JONES:** Look, I've always been an advocate for more national involvement. Because, at the end of the day, the problem we've got in Australia, it's a massive country with all sorts of disasters, but often they're spread across the nation and the abilities are necessarily sometimes collected in one state. I really do believe there needs to be more national involvement.

35
40 At this stage, much of the theory, much of the paperwork, much of the funding is at the federal end and the operational is at the state and local end. I think that needs to change overall. I've been on about that for a couple of years. I think it's very difficult to get the expertise that we need in all areas from one state. In fact I think we need to seriously look at some national aspects of that.

45 **MR COPPEL:** Information also segues into land use planning. We've made a number of recommendations in the draft report that include getting better guidance from state government on land use planning objectives

and benchmarks that can be used as a basis for decision making is one strand of the recommendation. Another relates to giving greater protection, in terms of risks associated with litigation. Do you have any views on those recommendations from the draft report?

5

CR JONES: Yes. Look, what you've said is correct. However, I suppose the difficulty is we have to be sure that the state's doing that work or that angle that you just discussed, purely based on the community's needs, not on commerce or not on any other angle. In recent time we've seen a whole heap of responsibilities handed back to the states, which are very important in that.

15 One in Queensland is the recent legislation around levee banks. It's all been lumped back to councils now. A huge issue. The water doesn't stop at the shire boundary. Those levee banks go from council to council. They can change the focus of what's happening enormously and I don't believe that any small rural council in Queensland would have the capability of even dealing with it. In fact it's going the opposite way to what we suggest. Such issues as levee banks should be handled at at least a regional, if not a full catchment issue and could certainly be handled by the state. Obviously it's about expensiating(?) from the state's point of view, and that's probably where I started today. We're not so much on about money; we're on about getting long term results that are good for the people.

25

MR COPPEL: In Grantham you made the point that you took the decision to relocate further to higher ground and the council bought the properties on the lower ground. Is there any sense that there may be pressure to reutilise that lower ground property for housing in the period ahead?

30

CR JONES: No. That all remains in the ownership of council. In fact, at the moment, we're presently decontaminating and clearing up that land. It'll be returned to agriculture and you know, traditionally, what happened in the Lockyer Valley, the alluvial soil is where you obviously grow horticulture and our plan is to return that to horticulture. Council will retain ownership of that land. It'll be a leasehold only arrangement to those who take it up and that will mean then that there'll be no opportunity to build buildings of any type on it. So the focus is to lease it to adjoining farmers and the like. We don't want any buildings on it, we want it for agriculture.

40

MR COPPEL: Thank you very much.

If we can call on the next participant, the Rockhampton Regional Council, Margaret Strelow. Welcome. So when you're comfortable if you could, for the transcript, give your name and organisation and then if you could give a brief opening statement, thank you.

5

CR STRELOW: Margaret Strelow, mayor of Rockhampton region. We have lodged a submission. To some extent Rockhampton's experience of disasters is different to what happens in other areas, such as Grantham. We have repeat flooding. We have had 32 flood events that have impacted and isolated communities, such as Depot Hill and Port Curtis, including Hastings Dearing, 800 staff, many small industries, often family-based employers. There have been 16 - this is since about 1859 - there have been 16 floods that cut the Bruce Highway. There is currently work in progress, which is about raising the access into the city, but it only does half the job, because then it goes onto roads that flood.

Our story, which is documented in our submission, we had been working, I like to think heroically, towards a significant levee bank project. It would have protected 3000 jobs, 1000 homes, that portion of the Bruce Highway that remains inundated in floods. There have been 22 years' worth of studies that said this is the thing to do. We secured support from state and federal government to go thirdsies in a \$1.2 million study. We had been willing to contribute a third of the cost ourselves, so \$4 million out of the general rate, the remainder to be paid by businesses and residents who would be benefitted by the levee who, in a strong majority had been willing to pay \$150 each a year for 20 years, remembering this is a community that every 10 years have to get out and scrub and clean up. We don't approve things in this area, haven't done for many, many years. This is a historical development area, but has, as I said 1000 homes, 417 that are regularly inundated and many small businesses.

When push came to shove, levees are difficult things, there's always going to be voices against them, and other levels of government went weak at the knees and we fell at the funding hurdle.

35

I have some solutions and some suggestions of solutions. Other levels of government stays hands off. We actually had state members say, "Well, you bring it to conclusion and when you're finished and you've got community support and I'm not hearing anything on talkback radio" and that's my bit, "then we'll go ahead and support you." That's just never going to work. I think it needs to be, to some extent, removed from the political sphere as much as possible.

Apart from all of that, council had - and one way of doing that might be some cost benefit thing, because this one was a no-brainer to do. So

45

remove it from the political system, get some other measure that twigs what it is that goes forward, but also council's done a huge amount. Like it cost us dearly, at a time when we were de-amalgamating, to have so many staff involved in this.

5

The learnings that we have from our process are now in-house. If there was a federal government agency that took some greater part, instead of saying, "Here's some money, you go do it." Some of these things would be shared learning, so I think that's one point about how to do levees better.

10

Second is \$200 million for mitigation? We have repeat events. We know where the water's going to go; we've got an educated, sophisticated community when it comes to floods. But for \$150 million, all up, a once-off investment, 65 per cent reduction in cost in repairing roads and in the loss to business and industry and to our community with every event, and we're talking about \$150 million in a one in 100 year event. So once again it's a no-brainer, but \$200 million a year, we need bold stuff right now. We've got a community that needs to get back to work. A lot of the skills are the same skills that are used in the resource sector. If ever there was a moment for the federal government to be brave, I applaud Barnaby Joyce's commitment to building dams and a lot of that is about jobs, at a critical time, but so could levee banks be. I think it's important for us to put the construction of mitigation measures into a similar category and think about, "Is now the moment for an economic development point of view about jobs and about construction skills?"

15

20

25

Then my third point, others will no doubt talk about the impact of the changes to who pays for what in recovery. I'm a bit of a cynic; I figure it'll probably go ahead anyway. So I sat and thought, if this system had been in place, if council had to pay 25 per cent for the last two events that we've had, so that's been a \$65 million all up cost in the two events, 2011 and 2013, we paid \$5 million of that. If we'd had to pay an extra \$15 million our community, which has just suffered an 8 per cent rate rise because of de-amalgamation - we have \$154 million in debt. We can't simply borrow another \$15 million and take 20 years to pay it off, because we'll have event on event crashing in on top of us, that's just not sustainable.

30

35

40

The only way I could think to do it, that I could, hand on heart, say was in the interest of my community, would be to raise our general rate an extra 5 per cent and create a \$3 million funding window and then do the work over five years, out of that \$3 million cash created. But that means five years before some roads get repaired and it's not fair to say, "That's just the rural roads." We would have to spread the pain so if you want our

45

5 communities to look like third world countries, leave that back with local government, but the real world of it is we can't just come up with an extra \$15 million when it could happen to us again the next year, or five years, or it might be 20 years. But don't be confused by thinking because we talk about building mitigation to one in 100 that we only have one in 100 year events. The events that I'm talking about were Q50 events, or thereabouts. So they happen to us with repeated regularity and we don't have the capacity, as a council, to continuously borrow.

10 We've actually done the pain, we made the cuts. Our community is in a state now where we're in an operating surplus and our debt is starting to go down \$1 million a year. 154 years and we'll be fine, but don't make us add \$15 million every time we have a flood because we simply can't do it.

15 Can I just say, quite frankly, a program like that or a ruling like that would lead us into bankruptcy and it will depopulate the north.

MR COPPEL: Thanks very much, Margaret. Could I start with some questions on the experience with regard to the Rockhampton levee? You made the point that other governments went weak at the knees.

CR STRELOW: Yes.

25 **MR COPPEL:** So are you referring what would have been a co-contribution from - - -

CR STRELOW: State and federal, yes.

30 **MR COPPEL:** State and federal?

CR STRELOW: Yes. So the comments were clearly made by both of those levels of government who, you know, were acknowledging it's a great project, publicly and privately. It was simply that they were hearing people on talkback radio and text messages and ringing offices saying we can't afford this madness.

40 Every community has their people who like to generate a little bit of media. We've got something like Clive Palmer, without the business acumen, and he gets a lot of media. But others in the community as well and it just - scrub that from the record. So you're always going to have that. Levees are notoriously difficult, and particularly in that period, which was about six months, between us getting the funding and having the answers to the questions about where does the water go. We had experts on radio saying, "They don't make pumps big enough to pump out inside." Now, Davy don't. I don't think Davy pumps do make big

enough ones, but just because the farmer doesn't know of a big enough pump doesn't mean they don't exist, they certainly do.

5 So in that window there was a lot of awkwardness and a lot of questions we couldn't definitively answer and because we couldn't answer until the study was done the negative voices escalated.

10 **MR COPPEL:** So the proposal was one third Rockhampton community, one third state and one third federal?

CR STRELOW: Yes.

15 **MR COPPEL:** And within the Rockhampton community it was one third council, and then a levy on businesses and households?

CR STRELOW: That were going to benefit, yes.

20 **MR COPPEL:** You then made the point, as a lesson from this, that the system should be removed - it should be removed from the political system?

CR STRELOW: Yes.

25 **MR COPPEL:** Do you have any ideas on how that would work?

30 **CR STRELOW:** Whether it's a cost benefit, having some stronger role for an organisation that - because you've also got to prioritise. There may be other communities that have a higher call. Flooding, and our flooding in particular, is something that can be mitigated against. Now, I appreciate not every disaster is as knowable as ours is. But here's one you could tick off. So somebody should be looking, across Australia, to work out bang for buck, and it's not per capita. Sorry, it's got to be about what's effective and where the needs are as well. I mean we really can - the Fitzroy's an extraordinary river and because we know it so well, we can do the things that we need to do to protect our community. So whether it's a standalone organisation, it certainly - there should have been someone from other levels of government that were more a partner in the studies, as we went through the process. As the voices became louder in the community, there was a distancing from the other levels of government, we did a survey and genuinely, by an arms' length, university did it, 64 per cent in favour. But you wouldn't think that if you listened to talkback radio. So somewhere in there, there has to be a little bit of intestinal fortitude and someone a little bit removed, perhaps, buying in.

45

MR COPPEL: It's been suggested that a body similar to Infrastructure Australia or a state equivalent could perform this role of triage and selection and identification of the most worthwhile projects, based on need.

5

CR STRELOW: Yes. We'd support that. I understand there are a number of things to play into it, but some mitigation measures are really doable and some you're not so sure as well. The characteristics of our river make us very different. We should have a different word to what you use in Brisbane for floods, because ours are knowable. We know 10 three days out, to within a centimetre of so, what height our flooding is going to be. We know and love our river. So it doesn't surprise us when a flood comes, but it's time to stop losing, as a community, and Bruce Highway being cut and jobs being lost. The impact on someone like 15 Hastings Dearing, with flood after flood, when they've got a facility in Mackay which doesn't flood and isn't working to full capacity, we're very conscious of that.

MR COPPEL: Do you have a Plan B?

20

CR STRELOW: Actually, I spent yesterday meeting with QUT in a design studio looking at other options. Personally, I'll take the levee to the polls, with it divided up into little chunks and see what the community's thoughts are. But Plan B, I suppose, is we just keep relying 25 on someone else to keep paying every time we've got to repair. Of course the federal government and yourselves - someone - is saying maybe you can't keep paying. I think the real story is here, it's not a question of who pays what percentage, because it's the same pocket that we've all got our hand into, so the dollars that get spent on mitigation, which - a mound of dirt doesn't deteriorate much. The cost of it to get built properly but it's 30 there for generations. Most levees pay for themselves in one event, that's just a given. So it's bold thinking is what we need.

MR COPPEL: Can I ask a few questions in relation to the funding 35 arrangements? You mentioned, at the outset, that Rockhampton had 32 flood events over a certain period of time and one of the recommendations relating to disaster funding is to increase the small disaster criterion from \$240 k to \$2 million, which is on a per event basis, not a per local government area. To be honest, we didn't have information on an event 40 basis when preparing the draft report, so this was one of the things that we'd asked for further information in the draft report. We'd like to know, if you know, of those 32 events how many of those would have been excluded if it had moved from a \$240 k to \$2 million, assuming that's within the - - -

45

CR STRELOW: Yes. Look, I wouldn't like to try and hazard a guess. I was formerly Mayor of Rockhampton City, now I'm mayor of the region and I confess I'm not as well across in the rural areas what happens when there's a flood to the rural roads. There are areas out to Alton Downs and whatever that go under very quickly. There are 417 homes in the area that go under every 10 years. Like I said, they're historical. Too many to consider a buy back, compared to a levee. But I can't answer how many events would have been excluded in that \$2 million minimum.

10 I mean we're good at floods. We do them well. We have plenty of time. Our river's very kind to us and we can get people and their belongings up high and most people who live in that precinct are used to floods. But it has such an impact on our economy. We just can't keep doing it.

15 **MR COPPEL:** Can I turn to counter-disaster operations. So these are the operations immediately following a natural disaster and we're suggesting and proposing in the draft report that there be a tightening of the funding for counter-disaster operations that really focus on the extraordinaryness of those operations linked to a natural disaster. We're interested in getting a view from you on how you draw that line between what would be regular council operations and those operations that are really quite specific and extraordinary, following a natural disaster?

25 **CR STRELOW:** Once again I probably can't give - I was out of office for four years in the middle too, so there's some things I know I'm not as well across as others may be. But we're pretty jolly structured and I think we've been made to be and I don't have a problem with that. The Reconstruction Authority have been very strict. There's a lot of photos of before and after. We're very particular now; we're recording before photos for all of the roads. Is that the sort of area that you mean, the reconstruction?

35 **MR COPPEL:** We're referring more to the immediate clean up. So there are often councils will go into private properties to remove trees or we heard, earlier in the morning, in some cases it may remove silt from the property and others the decision is taken not to. So there may also be a need to intervene very quickly, to avoid public health risks associated with - - -

40 **CR STRELOW:** We paid \$5 million out of the last two events, and our cut off figure is about \$300,000 and my understanding a lot of that stuff we cover anyway so, yes, we do it. I'm pretty sure it's not something we claim. And, of course, like others, we have volunteers come in as well. I

think because we do floods so regularly our community get in and help themselves a lot more than you might see in other areas as well.

5 **MR COPPEL:** Can I turn to an area that relates to how to build more resilient communities and also manage the risks of natural disasters, associated with policy areas like land use planning? The draft report makes a few specific recommendations there. One is in relation to having better guidance on land use planning from state government, ensuring that there's adequate funding when state government delegates responsibility
10 for particular objectives of land use planning that those resources are sufficient to be able to implement such policies. That's one set of recommendations.

15 The other relates to often a reluctance to take the hard decisions in terms of where you can build and where you can't build, because there will be implications for property values, which leads to a risk of litigation. Or, on the basis of the decision itself, and the report advocates providing greater clarity as to the delineation of those risks so that decisions could be made with greater confidence. We'd be interested in your views on
20 those particular recommendations.

CR STRELOW: Yes. The Floods Commission of Inquiry here in Queensland, I think we're the only council, or one of the few, that got a tick. We have had strong planning controls for flood in our community
25 for a very long time. Often the adherence to those controls, and I've been in local government, in public life, off and on, for over 20 years now, and often it's at the council table that we hold the line because we've had officers who come in and out who haven't understood what our river can do. So I don't think that's our weakness, I think, in fact, it's our strength.

30 As I said, the areas we're talking about are old established but, yes, there are businesses in there, some of whom have grown, so on existing land use. Then a new business comes in and instead of employing two it's employing four or five. Rockhampton City, prior to amalgamation, just
35 had no industrial land that was flood free. They weren't new approvals or new zones, but it was historical uses that certainly took up the slack in providing places for things like windscreens and kitchen repairs and kitchen building and those kinds of things.

40 The council is pretty jolly solid on planning. Our community understands it. We've had no development in an area identified as Q100. 50 centimetres above is our standard. We've stuck to that - for floorboards, sorry. We've stuck to that when other councils have had much lower standards. I think we're probably the poster child in sticking
45 and in leading the charge, because it's so frequent. It is so frequent.

Bearing in mind that flooding comes to within a block of our main CBD shopping street, when we have a flood like the 2011 and 2013 floods.

5 **MR COPPEL:** So you would be arguing that the idea of having greater state guidance on land use planning has limited value in the case of Rockhampton Council?

10 **CR STRELOW:** To us it does. I've got no beef with it. I think it's something that we do intuitively. Our flood mapping, we've had extensive flood mapping, often largely done by council, several iterations of it now. We've, as I said, just had it updated in the levee work as well, had a major study in 2011. Other levels of government tend to accept that we've got the best information for the city area and so ours is often the reference point, because it's something we've understood.

15 We, more recently, have started to do work on creek catchments, which we didn't have before, and that's probably a new area for us, and we don't have a lot of data. But when it comes to riverine flooding, we are the source of the information and it's published. I think we're across that more than any other council. No. We're across that to the fullest extent that we can be, on current technology.

20 **MR COPPEL:** One area in particular that's come to our attention is a number of state governments have pulled away from providing guidance on sea level rise, I think Queensland is one of those which, looking forward, may become more of an issue, in terms of land use planning. Is that decision to leave it up to local governments to think about how future climate change may affect sea level rise something which you think that local governments have the capacity and also the confidence to be able to base decisions?

25 **CR STRELOW:** We don't have any coastal areas or a narrow point where it hits Port Elma, and our information, although we're doing further work, is that any sea level rise is dissipated because of the width of our delta. So by the time it gets to area that we're responsible for, it's probably not something that needs to be taken into account, but we have modelled rainfall and have two scenarios for climate change in our flood modelling. That 50 centimetres free board, above the Q100, accommodates that.

40 **MS CHESTER:** Margaret, I think we have common ground, in terms of what's underpinning what we're trying to achieve with the changes that we're recommending in our draft report. I think if we were to sum it up really bluntly it's getting governments, at whatever level, to make the

tough decisions that are needed, around land use planning, around smart mitigation spend.

CR STRELOW: Yes.

5

MS CHESTER: That's why, for us, some of the changes we're recommending around the recovery funding, it's not about saving bucks for Canberra, it's about getting the incentives right for state government to make those tough decisions. I just wanted to explain that, that's our motivation.

10

CR STRELOW: But it's going to hit us.

MS CHESTER: That's what I did want to talk to you about. So earlier on, when you referred to the 25 per cent increase, was that with reference to the cost sharing moving from 75 to 50 per cent?

15

CR STRELOW: Yes. Now, that is if you only pay 50 per cent and we have to pay a half of what's remaining. So our \$300,000, or 288 or something or other, is our level. We paid extra, because we also do things when a flood's coming, because we're good at floods. We might know there's going to be two peaks, so we'll run our crews out in between to empty rubbish bins and run them back, those kinds of things, that doesn't get passed on, is my understanding anyway.

20

MS CHESTER: But it's the 25 per cent - instead of it being a 75 per cent cost sharing ratio, it's a 50 per cent cost sharing ratio between the Commonwealth and the state?

25

CR STRELOW: Yes.

30

MS CHESTER: It's your expectation that some of that will be passed through to local government?

CR STRELOW: Yes.

35

MS CHESTER: What communications have happened with state government to help you form that view?

CR STRELOW: None. I've been reading the media and I've been reading the media and I'm understanding that the state government are saying - look, none of this would matter if there was adequate funding for mitigation, quite frankly. But, yes, so that's that.

40

MS CHESTER: We did leave information requests around making sure we got the quantum of mitigation funding right. But it is important and the reason I raise it with you is because we discussed it quite at length yesterday, in Townsville, where there were a lot of local council and local government there. Of that 25 per cent Queensland only pays 20 per cent. So important for you to know that in terms of where the buck stops with Queensland it would only be 20 per cent of that 25 per cent, because there's another cost sharing round that the Queensland state government benefits from where the other states pick up 80 per cent of that. So it's only 20 per cent of the 25 per cent. When you start looking at those numbers, it's a little bit different, for relative fiscal capacity of a state government. I just think it's important because it has kind of turned into a numbers game and who's got the capacity to pay, for you to understand that. Not a question for you, but I just think it was worth having that discussion with you.

CR STRELOW: I hear you. But if, at the end of the day, it ends up with us, we just can't do it.

MS CHESTER: No, no, we hear that loud and clear. I just wanted to go back very quickly to one other point around who's best placed to make the decision on allocating mitigation funding, assuming we get the distribution mechanism and the quantum right, across Queensland.

As Jonathan mentioned, there's been suggestion to have like a Commonwealth body. Taking from your comments that really it's about getting the right decisions made and getting the politics out of it. If it's a transparent decision-making that's been done, and it's been informed by cost benefit analysis and the publishing of decisions and why they were made would that address your concerns about - - -

CR STRELOW: Yes. So long as the quantum is right as well. So long as it sits somewhere, and to me it doesn't really matter whether it's state or federal. I think, as I understand it, the current proposal is that it's a per capita basis as well and, look, not every state has the same number of disasters on a per capita basis across the nation and mitigation doesn't cost the same and doesn't have the same benefits. So (a) the quantum and, (b) the distribution, I think, is just really questionable. When you look at the sort of money that is made available for building new stadiums, wonderful though they are, or conference centres, or all of those other things, I mean it's an investment that means something for the future but, you know, triple it per year.

MS CHESTER: Sounds like you were listening to Jim earlier on.

MR COPPEL: Thanks very much, Margaret.

CR STRELOW: Thank you.

5 **MR COPPEL:** We'll now take a 15 minute coffee break and reconvene here at 11 o'clock. There is coffee and a few snacks here in the room. Thank you.

10 **ADJOURNED** [10.44 am]

RESUMED [11.01 am]

15 **MR COPPEL:** We'll reconvene the hearing and I invite the Queensland government to participate at the table here. For the benefit of the transcript, if I could ask each of you individually to give your name and who you represent.

20 **MR CRISAFULLI:** Thank you, Commissioner. David Crisafulli, Minister for Recovery and Resilience in Queensland. My chief of staff, Richard Ferrett, on the left, and the CEO of the Queensland Reconstruction Authority, Frankie Carroll, who you heard from yesterday
25 in Townsville.

MR COPPEL: If you'd like to give a quick opening statement.

30 **MR CRISAFULLI:** Thank you, Commissioner. I'll keep my opening remarks brief, but I want to start by acknowledging a number of my mayoral colleagues who are here today: Mayors of Bundaberg, North Burnett, Toowoomba, South Burnett, Balonne, and the Mayor and Deputy
35 Mayor of Somerset. You've earlier heard from the Mayors of Lockyer Valley and Rockhampton. So it's a good turn up, thank you very much for your time. I also acknowledge the chairman of the Reconstruction Authority as well.

40 I just want to start by saying there's no denying that Queensland has been through a very difficult period with natural disasters over the last half a decade and, as a result, we have received significant funding to assist in the recovery.

45 I don't believe the answer to ensuring this process is done in the best manner possible is to reduce the funding formula. I believe the Commission's discussion around mitigation is an excellent one. I think, if

done well, mitigation has the ability to reduce the recovery costs for all of us, as a portion.

5 I think the proposal for a \$200 million mitigation fund is not adequate, in terms of a financial amount, and I think to do it on a per capita basis would be wrong, because I don't believe it's channelling the investment in the area that is best suited. But we do believe in mitigation and I hope that people have seen our passion for it. Here in the audience today are mayors who have benefitted from our vision towards improving
10 the way that we protect our communities.

No matter how good we do mitigation though, there will always be a risk for all states, but particularly our state, with a very vast and broad road network. Roads make up 80 per cent of our cost, when it comes to
15 recovery.

Interestingly, when we talk about funding roads, the funding formula for that, for things like the Bruce Highway, is 80/20 to the federal government to the state government, so therefore we believe that sets a pretty reasonable barometer as to why the 75/25 funding arrangement works very well.
20

Through the Reconstruction Authority I think we've shown a constant improvement in terms of things like the accuracy and the speed at which we recover but also to make sure that it's right. I might just touch briefly, and I know this is something that many of my mayoral colleagues did yesterday, in Townsville, but the lifting of the threshold for the small disaster funding from \$240,000 to \$2 million would be very, very tough, particularly for some of those smaller councils.
25

You could have an isolated incident that hits one specific part, particularly of some of those smaller shires in western Queensland where, for all intents and purposes, you would have, therefore, a council having to find more - a greater cost than what they actual recoup for an entire year on their rates revenue. So for that reason we think that the threshold is not a good idea.
30

We are passionate about northern Australia, as is your federal government. In order to promote a will to get people to move to that part of the nation we believe that part of it involves being able to look them in the eye and say we can deal with the recovery in a fast manner but also an efficient one. We believe that the current funding model strikes the right balance, in terms of capacity to pay. We think, as a state, on a capacity basis, we're probably shouldering a little bit more than what we would probably do, if it was done on a purely revenue basis, but we think it's
35
40
45

about right and we're not asking for changes in our favour, we're asking for that funding model to continue.

5 Can I commend you on your discussions, in terms of the day labour?
I sincerely believe that if the right model is found there is an opportunity to save us money, in utilising council resources for many of the councils. I think that's an excellent opportunity, as is betterment. It's something I'm extremely passionate about and we will always be willing to put our shoulder to the wheel in that regard.

10 Following the Oswald event, we asked for a \$200 million betterment fund. In the end it became \$80 million, but the legacy projects that we got out of that were tremendous and many of the mayors here today have benefited from assets that will be protected for future generations.

15 I'll just conclude, before handing back for questions, by saying we do have a desire to work with you to make sure that our recovery is done as efficiently as possible, we certainly do, but we don't want this to be justification for one level of government not to fund the recovery to the current model. We think the current model works and if we do the things
20 that we have discussed, in terms of mitigation, in terms of betterment, we can reduce that exposure for all of us in a large way, but there will still always be a need for all of us to band together when there is a large disaster and I truly believe that is the Australian way. Over to you.

25 **MR COPPEL:** Thank you, Minister. We certainly share the goal of designing arrangements that lead to a lower cost of managing the risks of natural disasters and you've picked up on a number of the reforms there that relate to achieving that goal and we'll discuss, in our questions, the
30 differences of view on how that can be achieved.

I'd also like to thank you and the Queensland government for the participation that you have taken so far in this inquiry process. We've met with you; we've met with your staff, participated in the round table and
35 initial submission and also a submission on the draft report. I'd like to take up one aspect of the draft report that focuses on the proposed changes to the funding arrangements, because these were picked up yesterday, at our hearings in Townsville and they've also been picked up in the wider sphere, that relate to what would be the impact that you've estimated from
40 these proposals, on local governments.

In particular you have a table, in the submission, on page 3, that breaks down each of the recommendations and how they would bear on the cost borne by Queensland. One big chunk of it, and this is over the
45 period of 2010 to 2013, relates to the reduction in the cost share. So this

is from 75 per cent to 50 per cent, which is calculated as \$2.7 billion, in your submission. We're interested in whether that \$2.7 billion over that period takes into account the effect of the Commonwealth Grants Commission, whereby the cost to Queensland would only be 20 per cent of that \$2.7 billion, if we understand that correctly. Are you able to provide clarity on that?

MR CRISAFULLI: Sure, Commissioner, thank you. We could mount that argument for everything when it comes to funding through that revenue source. If anything, all that does is, in my mind, show that it is a cost shift to the states because, ultimately, what that analysis seeks to do is effectively say, "Well, Queensland, you're not going to be that much worse off after all because a lot of that's going to come from those other states." Well, that's not what we want. We want the ability for wherever the disaster is for the state government to look the community in the eye, with the local ratepayer, and say, "We'll get through this." That's why this current arrangement works best. So to link that to that argument, I think all that will do is engender the support of the other states that we are starting to see occur.

MR COPPEL: With respect, that is part of the current arrangement. There are two forms of cost sharing, one is from the federal government to the state governments and then through the horizontal fiscal equity arrangements, managed through the Commonwealth Grants Commission, there's a cost sharing between the states. So we're wondering whether those calculations are actually factoring in this second element of cost sharing or whether they're only taking into account the relationship between the Commonwealth government and the state government.

MR CRISAFULLI: By virtue of that statement and if the table is wrong, as the assertion is, then every Commonwealth budget paper outlining payments to the states are wrong. I just don't subscribe to that theory. You could mount that theory for anything to do with revenue between the feds and the state. It's not an argument I subscribe to. I have a vehemently different view and that's my position.

MS CHESTER: So I guess, Minister, it's a little bit different to SPP payments to the states, it's more - if we're looking at the net fiscal impact on Queensland, which is very important because we heard, at length, yesterday from local councils at our Townsville hearings, plus about 30 or 40 of the post draft report submission that we've received, there seems to be a suggestion or perhaps a misunderstanding of what the impact is on the Queensland state government and that will all go through to local council. That's why this is really important for us to bottom out with you today.

5 We do, in our draft report, factually state how that mechanism works, that second round of cost sharing. You're right, we're changing the cost sharing between the federal government and the states to the 50/50, but it's a really important point that only 20 per cent of that comes through to Queensland, at the end of the day, and it changed the quantum quite substantially from \$2.7 billion to \$540 million.

10 **MR CRISAFULLI:** Commissioner, I'll do two things; the first is recap what I said at the start, and say that I firmly believe that that argument does not wash, because of the reasons I've outlined. But the second point that I'd raise, and I'd be delighted to raise it with my other state colleagues, but that argument assumes that only Queensland will ever be impacted by disaster. Yes, we have had a really bad trot in the last half a decade and the faces in front of me had to live it and, in many cases, still do. But that doesn't mean that we're the only state that's going to be exposed. It's just not a fair argument to try and mount that somehow we're going to say, "Hey, this is great because there's going to be some shifting between the states." It's not a credible argument and we don't
20 subscribe to it.

MS CHESTER: Well, we think it's an important point, just in the context of the state suggesting that this will flow through to council when the state does know that it will get \$2.3 billion from the GST pool, care of
25 the other states and territories, but we might agree to disagree on that point for now.

MR CRISAFULLI: Yes, indeed.

30 **MR COPPEL:** Another theme that came up at yesterday's hearings was in relation to the small disaster criterion and many of the local government areas have been hit by many natural disasters over the years and we were interested in getting an idea of the incidents of whether those disasters would have been eligible for funding in the event that the small disaster
35 criteria moved from 240 to two million, because this is something that we didn't have information on at the time of the draft report, on an event basis.

40 You made the point, in your opening remarks, that there would be many natural disasters that wouldn't be eligible under this two million criteria. In the submission, at the back, I think there was a table that goes through the last 38 or 40-odd natural disasters and there were about eight of those that would not have been eligible. We're interested in knowing whether those calculations are made on the basis of an individual local

government area or whether they relate to the event, where we know that an event doesn't respect local government jurisdictional boundaries?

5 **MR CRISAFULLI:** Thanks, Commissioner, for the opportunity. I think that the CEO of the Reconstruction Authority may have spoken about this yesterday. No, it is event-based and we say there's eight of those events. Interestingly, as proof of that, over 50 local governments are impacted because of that so I think that clears it up. In fact, there was an event close to here that one council - it only impacted one council and it was to
10 the tune of about 1.8 million. No, we stand by that.

MR COPPEL: I don't want to give the perception that we're really sort of just digging into numbers, but there is a lot of angst in the community, in terms of what has been put out, in terms of the potential impact of the
15 draft recommendations. I think it is important to get a sense of where that number has come from.

The two big items were the reduction in the cost share from 75 to 50. The second one is in relation to the recommendation associated with
20 insurance levies where our recommendation has specified that insurance levies should be replaced with less distortionary taxes and not tax that's removed all together. It seems, from this table, that you've essentially taken the first part of the recommendation, removed the levy, but not think about alternative revenue sources. That's contributing 2.4 billion.

25 So we would submit that the bottom line here, of 5.3 billion, is a gross over estimate of the impact of the proposals in the draft report, in the order of a factor of about five or more.

30 **MR CRISAFULLI:** Well, I would vehemently disagree. And in terms of that insurance argument, you're talking to a level of government that has less than 25 per cent of the capacity of the federal government to raise funds already. We could not credibly seek to do what you've indicated there. That's not a credible argument. Again, it doesn't change the real
35 focus of what we want to see, and that is to know - for our communities to know that they will be able to recover and the system that has served us well will continue, and we just don't. We just don't. I don't accept the argument but even if I did I think it's a secondary argument to the real issue of the inquiry and that is, to ensure that our communities are
40 protected in the time of disaster.

MR COPPEL: We did look at a number of other jurisdictions in relation to insurance levies. I mean the small jurisdiction of the ACT is one that's
45 actually gone down this path and removed insurance - specific levies on insurance. But the point that we really want to make, because this is a

decision that's obviously a state matter, it was the inclusion of that that I think has contributed to quite a bit of uncertainty as to the potential impacts from what's proposed in the draft report.

5 Maybe if we can move on, and you stated the goal as being how to think about better planning and preparation for natural disasters and is there a smarter way to manage those risks that leads to a lower cost. That could be through a number of avenues and you've mentioned the issue of greater flexibility and autonomy. This is an area where we've
10 documented quite a number of examples where either the compliance requirements associated with funding can lead to duplication and it can lead to higher cost avenues. So this was an area that I think we have a lot of common understanding, but I think there's a difference in terms of how to capture that goal.

15 In our draft report we think the way is to move away from a reimbursement model towards an assessment based on benchmark prices, which isn't terribly different from how QRA actually provides its initial estimate. This would be a manner in which we can ensure that there's
20 value for money. We can also ensure there's a certain degree of accountability. We'd be interested in getting your views on whether this approach of using assessed prices, or benchmark prices, is one that could be used to enable local governments and state governments to have the autonomy to decide how to recover and how to better plan for natural
25 disasters?

MR CRISAFULLI: Sure. I guess the one unknown though, Commissioner, is to do that there is the - often in a disaster recovery sense you don't actually know the quantum of what the recovery will be. I think
30 that's the challenge to that argument. I'm not suggesting it's an attempt not to fund a fair share, I'm not doing that. What I'm suggesting is that what the QRA has been able to do very successfully has been to ensure that the roller coaster of the numbers that we think initially during a disaster it's been able to ground truth it a lot. In the same way that the
35 federal government wants to drive value for money, so do we. The last thing I would want to see is a payment made that is then over what a council is entitled to. That system could deliver that.

40 I think what needs to occur, in whatever system, whatever model we have, is the constant ability for flexibility in what that number is. Because when you're dealing with large rural roads - that most of my colleagues here have in their shires and/or cities - it's hard to get a handle on it. You may not be able to get there for some period of time, for a start. Then you mightn't be able to know what value of that recovery is. So I think that
45 might make the issue - and I think a lot of where we differ comes down to

one word and that is “roads” that’s what makes Queensland different. Regardless of what section we’re talking about, what makes Queensland fundamentally different is no matter what we do, no matter how we look at it, 80 per cent of our recovery costs are always in that area of roads and
5 it’s hard to quantify up front, it’s hard to mitigate against and it’s hard to judge on the spot. I think that’s one of the big challenges for a diverse state so large with so many decentralised population centres.

MR COPPEL: At yesterday’s hearing there was a wide range of local
10 governments from coastal areas, the hinterland and also from western Queensland. Very different geographies, very different types of impacts from natural disasters and we asked about this question, because it isn’t too different from how QRA operates now, in terms of providing that immediate assessment. It’s not the final basis on which the payment is
15 made.

The point was made that there is a degree of uncertainty in terms of the initial assessment, vis-à-vis the final cost and that’s something that there is an inevitable tension between having a rapid assessment and a
20 degree of autonomy on how those funds are spent. But the view was that such a system may not be in place now, there are elements of it in place, but such a system offers a lot of potential advantages in giving that degree of flexibility. It was also pointed out that the estimates may be over estimates so there are swings and roundabouts that may be a risk on the
25 downside in some cases, it may be a risk on the upside in others. But the view was that if the institutional arrangements could be designed in such a way to lead to measures that are as close as possible to the reasonable costs this is something that would be worth introducing to be able to capture those benefits of flexibility.

30 I’m wondering whether it’s an issue in terms of the approach isn’t one that’s workable, full stop, or whether it’s something that needs to be investigated more and may need to be reviewed, based on initial performance, or there is a lot of ground work that may be needed that will
35 take time to implement but is feasible, at least.

MR CRISAFULLI: Commissioner, I’d be interested to see what your proposal is, in that regard. I guess my going in position is I think we’ve
40 got a model that’s now working well and I think it’s working well because the relationship between the state and council - the processes that have been put in place has enabled a greater degree of flexibility, a greater degree to actually do assessments more quickly, to rule things in and out on the ground and I think our timelines on recovery have shown that. I’m not sure if it’s a solution in search of a problem, but I’d be interested to
45 see what benefits you see from it, I guess is the short answer to that.

5 **MR COPPEL:** I think the most common example that's been given are the inefficiencies associated with restrictions on the use of day labour as one way in which you can move away from the need for that high level of prescriptiveness in the NDRRA determination. But there are other areas that simply relate to the fact that those that are closest to the actual disaster area are best placed to determine how to use those funds most effectively.

10 **MR CRISAFULLI:** Sure. I think the current model allows that, it gives that. In terms of the day labour one, and again this is one of the strong points of what's come out of your review, councils have to show value for money in order to do that. The absurdity of the current approach is that a disaster event happens and then, cap in hand, the state goes, on behalf of local government, looking to get a tick of approval to use a model that I know delivers value for money for all of us. It's not as though the assessment is then made on using different grounds, it's the same formula that I believe you can have squared off ahead of it, rather than have to go in a mad rush, panic when it happens.

20 So I think there is huge benefit, particularly for the more remote or small shires where you don't have your large contractors just sitting there on standby, I think there is some real opportunities to get exactly what you're talking about, to get savings, to get local know-how on the ground. I think that can occur in the current system. But, again, we'd be interested to see where you feel the proposal could actually benefit, both in a cost and a timeline. Ultimately they are the two elements, time and cost.

30 Do not under estimate how important timely recovery is to getting the communities back functioning, therefore getting product to market and therefore paying, again, the revenue predominately into the federal coffers, which helps fund the recovery. Do not, also, underestimate how important communities knowing that they're going to get back on their feet quickly are to people making business investment decisions in regional Queensland and at a time when the federal government has a genuine desire about growing northern Australia. That certainty on a recovery front, on timeliness and cost is just so very important for people when they're choosing investment decisions in regional Queensland and regional Australia..

40 **MS CHESTER:** I guess, Minister, it's ultimately a trade-off here. We don't view the ability of the Commonwealth to stop itself, for want of a better description, from being very prescriptive about how the money is spent and the accountability that's going to be required, and we received so much overwhelming evidence from local government and local councils about the regulatory burden, the day labour, the groundhog days,

45

5 so for us it's a trade-off here. If we stick with the reimbursement model, albeit with some tweaks and bells and whistles at the moment, we're never going to solve those problems of Canberra wanting to be prescriptive around day labour, betterment. For us it's about getting that autonomy back out and getting rid of those cost inefficiencies.

10 So for us it is a fundamental decision and a fundamental trade-off in our recommendations and we actually view that as part of - one of the most meaningful reforms in all of our package of recommendations.

15 **MR CRISAFULLI:** I have to say that I believe there's a degree of being genuine in it, I really do. I said in my opening remarks I sense a lot of it is attempting to do a cost shift, and I'll call that for what it is, but I do think what you're proposing here is genuine.

20 In terms of the two examples you've used, day labour and betterment, both of those can be squared off prior to an event anyway. You could have a formula at which a percentage of your recovery costs, for example, which could go towards betterment. You could have a formula that dictates when day labour is able to be used. I think that's very easy to police, in terms of the day labour. So I think the things you are attempting to achieve can still be achieved and I also think there's been some great lessons learnt through our pain and through our heartache. I think we've learnt some really good lessons that I think could be implemented across

25 the nation.

I don't quite understand exactly why you're trying to get a situation where you have a built in betterment component. It avoids exactly what I have been banging my head against the wall for the better part of the last

30 nine months, following Tropical Cyclone Ita. We didn't go with the proposal to do the same quantum as following Oswald, because the same quantum of work wasn't there. But there were projects that I know in my heart could have saved money if we had had that betterment component there. So I think your intent is very noble in that regard, but I'm not convinced that it can't be built into a current model to do exactly what you want. But, again, I'd be interested to see what your proposal is. If it's about delivering value for money for all of us, under the current funding arrangements, this is where we're very strong on that current funding arrangement, 75/25, if it's about that, well then I understand where you're

35 trying to go. Don't agree, but I understand.

40

MR COPPEL: Can we move on to a second area where I think we agree that there is a lot of scope to reduce the overall costs of managing natural disasters, which relates to predominantly the bias and the amount of

45 resources that goes into recovery, vis-à-vis preparation and preparedness

for a natural disaster. The main recommendation in the draft report relates to the establishment of a mitigation fund and there are a number of issues around that that I'd like to put questions to you.

5 We've initially proposed a level of funding, at the Commonwealth, of \$200 million and that would be matched, dollar for dollar, by state and territory jurisdictions. Is that level of funding one that would, in terms of the matching dollar for dollar, be an issue for Queensland, or would that be not an issue?

10 **MR CRISAFULLI:** We've clearly shown how much we believe in it, in how much we've invested in mitigation in recent years. So it's music to our ears that the government's talking about mitigation. In the room there's a mayor who has two levees, one completed, one due to be finished by Christmas time, that predominantly have been funded through
15 the state, but with contribution from local government.

 So not only do I think the state will match your enthusiasm and your desire, but I think local government will come on board as well. As you
20 would recall, there was a time when there was a funding program for mitigation which had three levels of government making a contribution. So I think that's music to the ears of local government and the state.

 The issue with a \$200 million fund is I believe it's inadequate, I
25 genuinely do, and that will be something the government can look at. But to do it on a per capita basis, I also think that's - you would have some states struggling to drive value for money, based on need, and others needing a greater portion to be able to do some of those projects. So you're on the money if you're talking about mitigation, absolutely, but I
30 think the actual quantum and the way in which it's proposed to be distributed are the two areas that we need to have the longest look about.

 The point has to be made, though, that no matter how good we are with mitigation, the cost of recovery will still always be there, and that is
35 why we need the assistance of the federal government. There is no mitigation tool that can protect a number of coastal communities. There is no mitigation tool that can protect a number of rural and regional roads and that's where the bulk of our costs are. Again, we've got that road formula, hence the reason why we think the current split works well, but
40 we can do much better and I think we've shown that in the last couple of years, the value of money we've spent on it and the results we get.

 The joy about mitigation is it can do two things. One, it can lower all of our costs, on the same funding model that's always existed, but it can

bring all of our costs down. We'll never remove them, but it will have a good go at doing that.

5 The second, though, is what mitigation does is it removes a lot of your social pain. Whilst that may not be where the big chunk of money is, it's where the community pain is. If you can protect dwellings, for example, you then have your community back up on its feet earlier, they can mobilise to help recover and it's always that initial stage of the recovery where you can set things up. That's why I think your mitigation is solid.

10 **MR COPPEL:** So you made the point that you think the \$200 million quantum is too low. If it were a higher quantum, same question, is that something where the state would have issues, in terms of co-contributing dollar for dollar?

15 **MR CRISAFULLI:** We have been feverish in our desire, both at a council and a state level, to try and get a funding program that has all three levels of government making a contribution and we would be very keen to see something put forward to us, and not done on a per capita basis as well.

20 **MR COPPEL:** On the allocation rule, are you suggesting something which is based on - I think you mentioned a need basis. Others have talked about a risk-based approach. Do you have any views on what would be a better allocation basis?

25 **MR CRISAFULLI:** I think for me to do that would probably have me commenting on other states, that I'm not as well equipped to comment on as my own. But I can say, from our point of view, in the room you've got individual regions that could spend that proposed allocation just on their own, on some of the projects that have been floated.

30 How the federal government determines the best way to split any mitigation funding is a matter for it but, clearly, population wouldn't be the best way to do it, I would have thought.

35 When we went to asking for applications for both betterment and mitigation, in the case of the betterment fund, after Oswald, it was over-subscribed by over 10 times and we've been unable to get one following Ita, and there's not a week goes by that I don't have a mayor say, "If you could just get me an extra 25 per cent of funding I could fix this thing up so we won't have it again." So there's a thirst for betterment alone.

40 In terms of mitigation, when we went out to market, and what we've done as a state is in the past we've had a few different programs, we've

pulled them into one, we've strengthened the contribution and we've had it as a one funding application, so the mayors don't have to go and cherry pick where they have to go. It was over-subscribed by about eight times. So there's a desire there.

5

In all cases, both mitigation and betterment, the councils, to their great credit, have been willing to make a contribution of their own. I think that's the way to drive the funding further.

10 **MR COPPEL:** On this point, the mitigation fund is coupled with a set of conditions, in terms of good governance associated with the selection and identification of mitigation projects, both soft and hard mitigation. That includes the use of cost benefit analysis. It also refers to, where feasible, the use of cost recovery. We heard, just before the coffee break, the
15 example of Rockhampton where there's been a long-standing identification of a favourable project, in terms of cost benefit analysis, the development of a levee. A large fraction of the community in support of it, through a levy imposed over a period, I think it was, of five years. But that project fell through, on the basis of a lack of commitment to follow
20 through, in terms of the sharing of the cost at the state and at the Commonwealth level. That example seems to suggest that there needs to be a way in which those projects can be identified in a way that sort of removed, to the extent possible, from a political process where the example that she gave suggested it was very much captured by that
25 political process and lost the momentum.

MR CRISAFULLI: I'll start by saying the mayor of Rockhampton and her council and her deputy have expressed a vision to do something on mitigation and I've taken every opportunity to stand up and call that for
30 what it is. It's been a council that has had a vision on it. But there are different stages of the process and I think you may have been told that we made a funding contribution of around 50 per cent to do the first stage of that. The cost benefit ratio on that is excellent, absolutely excellent. Dwellings, businesses, sporting community groups protected by one levee
35 and it will be up and running in the next few months, which is really exciting.

The other proposal you speak of, there wasn't the community support that you've suggested there for it. I feel that there is an opportunity to
40 improve some of those ratios you speak about, because I think that's part of the reason why there wasn't the community support for it. But we do have a golden opportunity, through mitigation, to protect our communities and it does take courage from the council.

5 There are times that it's not just benefit cost analysis that needs to be
looked at, you also have to have a look at what is the image in the mind of
investors of my community when they're thinking about my community if
I've got 50 floods over the last century? Is that impacting on the ability
for me to sell a story? That's where I think it's more than just the benefit
cost ratio we need to go forward on. But we have to take communities on
the journey as well and that's part of it.

10 The mayor of Balonne is here today and that levee project that's
concluded, great project, great benefit cost, brilliant design, community
was engaged. We still had protestors and it's a good effort to get
protestors in St George, it takes some doing, but it was a great project. I
think there are many like that we can do. It will reduce so much of the
personal heartache but it won't reduce the exposure of our state to natural
15 disasters. It will pay for itself in the long run, absolutely, but that's
amongst a smaller percentage of our overall disaster recovery cost because
of the nature of our reliance on road.

20 **MR COPPEL:** In the post-draft submission Queensland government is
against a user pays system for mitigation and part of this mitigation fund -
one of the criteria would be the use of cost recovery, where possible. This
would be an example where a mitigation brings benefits to private
households and businesses. Why is it that you think that cost recovery in
those situations isn't appropriate?

25 **MR CRISAFULLI:** I'll answer that, but I would also say that I think if
the Commission was of the view, by all means any of the mayors, I'm
sure, would be happy to take the question, perhaps Mayor Stewart, from
Balonne is best placed, because she's gone through it.

30 The reason why is because I'm a realist and I want to see things done.
If that proposal was put forward you just wouldn't build these things.
You wouldn't get the community come on the journey. You wouldn't
have mayors survive and therefore you wouldn't have those projects that,
35 in my mind, need to be above politics. I think the moment you talk about
that it'd get scuttled. So I'd rather see a funding arrangement where all
three levels of government are committed, put their shoulder to the wheel,
genuinely want to do it, but you wouldn't get - you would divide
communities and from that viewpoint I think, whilst noble in its intention,
40 it would have the opposite effect of what you're trying to do.

45 **MS CHESTER:** There is one other advantage of - we are being practical
in terms of there would only be limited circumstances where that sort of
partial cost recovery mechanism would work within a community, but
there is another advantage is it levers the involvement of the insurers, in

5 terms of getting insurers to make an undertaking up front that if council takes the risk and goes down the route of this mitigation investment, if it results in lower insurance premiums, and you get insurers to commit to that up front, that then can become a mechanism for financing it. So the ratepayer is going to know that they're going to get lower insurance premiums then that's a way of funding it.

10 **MR CRISAFULLI:** I still think there's a disconnect between noble intentions and reality and I think you would find good projects that should be funded wouldn't get off the ground because of it. I understand what you're trying to achieve, but I think it would have the opposite effect, I genuinely believe that.

15 **MR COPPEL:** Another area of policy that can have a very powerful impact on the risks of natural disasters relates to the built environment, land use planning and building code, and I know there's an ongoing review of the land use planning Act, are you in a position to give an indication of where Queensland government is going, in terms of reforms for land use planning, as they relate to natural disasters?

20 **MR CRISAFULLI:** As you know I'm not the Planning Minister so I'm probably not the best placed to do it, but I think, overall, we have shown - no, I think generally states have shown great improvement in the planning process, I'm confident of that. But, again, the biggest cost risk is what is there, what is established, and that will be for generations.

25 I think one of the mayors, yesterday, in his submission, made the comment about it is - we are where we are and you can't go and refit out the community, a large community. We have to do better at protecting them, we have to do better at recovery, we have to make sure that we're as efficient as we can, all those sorts of things. The cost is there and what we're talking about is real and it's happening at the moment and that is what we need protection from.

30 **MR COPPEL:** I accept the point that land use planning has an impact, but only in terms of - in the way it's designed, only in terms of looking forward, in terms of future decisions, but it's very much been an issue in our consultations that local governments are put in a very difficult situation when there's limited guidance on the objectives of land use planning or benchmarks that can be used as the basis on which difficult decisions are taken, with respect to where one can build or where one can't build and if they can, under what conditions. It is decisions that are taken today that will have very long term consequences.

5 In the draft report we make a number of recommendations to strengthen that guidance, so that there's greater support given to local governments and also in terms of having a greater degree of confidence that they can take decisions without - take decisions on the basis of good processing and have confidence that the risk of litigation that may follow, as a consequence of those decisions, is limited. Do you have any views on those areas?

10 **MR CRISAFULLI:** Yes, indeed. Commissioner, I make the point that you're right about good planning and I believe that as a level of government, local governments have got much better at it. We've all got so much better about it. If we're talking about small changes, as we're discussing there, regardless, planning schemes get reviewed every half a decade. So what we are effectively talking about is such a small component of the reason why we are sitting here. If we're looking at the hamburger, to discuss that is to talk about the seeds on top of the bun. What we really are talking about is the ability to recover from a big event for things that will always be there. Roads, again, back to my point for our state, roads. Nothing we do can change the fundamental argument that the bulk of the funding, the exposure will always be there. Can you do better in planning? You bet ya. Should we look at it? Of course. But planning schemes are always under review, they always should be. Things change and things come to pass and things don't. But it's not a credible argument to suggest that that's going to be the panacea to remove risk.

MR COPPEL: We're not suggesting that, we're just saying that it's one element in terms of managing the risks.

30 **MR CRISAFULLI:** Yes, very small element. Very small element.

MR COPPEL: The review at the moment, do you know when that will be completed?

35 **MR CRISAFULLI:** It's being done by the Minister for Planning.

40 **MS CHESTER:** Just on that point, Minister, I'm a little surprised by your comment that land use planning is a small element of managing natural disaster risk. We've had a lot of evidence from academics, researchers and even local government, that making brave decisions - well informed, brave decisions today are what set the trajectory that we're leaving for our children. So I'm a little surprised by that comment - - -

45 **MR CRISAFULLI:** Please don't seek to say that I'm not a very passionate advocate for good planning. What I'm suggesting is to

5 somehow feel that a change in the way that we plan will remove risk from Queensland is a straw man argument. So I don't want to be put in a position that somehow somebody says Crisafulli doesn't care about planning, very important, absolutely fundamentally important. I can use examples from my home city of Townsville, where I have seen the improvements in the way that we plan reduce long term risk for disaster recovery.

10 The point I'm making is, as a percentage of the cost of a recovery for our state, based on what is there, based on the fact that planning schemes always evolve. You don't have the same planning scheme for the next hundred years, they always evolve. Based on that fact, whilst very important, it is not going to drive down, as a massive percentage, our recovery cost. So that's the point I wanted to make clearly.

15 **MS CHESTER:** I guess our focus is getting down the risk of natural disasters.

20 **MR CRISAFULLI:** Great.

MS CHESTER: But appreciating your focus is on recovery costs.

25 **MR CRISAFULLI:** My focus is making sure that my state is able to pick up the pieces after a disaster. Good planning is a very important part, as is governments being willing to shoulder the cost of what will always be there.

30 **MS CHESTER:** Just two other quick questions around land use planning. In the submission that you sent to us, post of the draft report, you felt it was appropriate for local governments to really articulate what is the natural disaster risk appetite in land use planning, not state government. I just wanted to make sure that we understood that comment, because it - - -

35 **MR CRISAFULLI:** No, we both have to work together on that, absolutely. I'm a big believer on local government having a strong input but it's something that both levels of government have got a big role to play on, there's no doubt about that. But I wouldn't underestimate the importance of the local input that you discussed.

40 **MS CHESTER:** So when it comes to risk around cyclone and flooding, where is it articulated now, in the planning, as to what risk appetite the state's prepared to accept, through planning mechanisms?

MR CRISAFULLI: I don't quite get the premise of the question. If you can outline it to me?

5 **MS CHESTER:** State planning policies, as we understand and based on the evidence we received, effectively set the architecture for the decision-making that then happens at local government, in terms of what trade-offs are made between competing objectives. A good example might be sea rise. So just trying to understand where that's articulated?

10 **MR CRISAFULLI:** Again, I'm not the Planning Minister, but I want to come back to the central point of my argument. You talk about cyclones and storm surge and I live in a city of 191,000 people. Their dwellings that they call home are there and the decisions have been taken, over generations, they're there. Now, looking into the future, of course we should factor in all sorts of things to improve the way we plan. But if the purpose of the Inquiry is to get good value for money for recovery, that risk for our state is there, will always be there and we need to do better into the future, we need to do better with mitigation to protect it, we need to do better with betterment to ensure that we can protect our assets as much as possible, but that risk will always be there.

25 **MS CHESTER:** There's one other aspect that's come up from a lot of the submissions that we've received from local council in Queensland and certainly from the Local Government Association of Queensland, around injurious affection and the liability issues that that exposes local council. Given the review has just been completed, or just about to be completed, it would be good to get your sense of has that issue now been addressed?

30 **MR CRISAFULLI:** Well, that's part of the review.

MS CHESTER: So it's been resolved then, as part of the review?

MR CRISAFULLI: No, it's being reviewed. So it's under review.

35 **MS CHESTER:** Okay.

MR COPPEL: Thank you very much, Minister.

40 **MR CRISAFULLI:** Pleasure, thank you.

MS CHESTER: Thank you, Minister.

MR COPPEL: Our next participant is the Regional Development Australia Fitzroy and Central West. If you would, when you're

comfortable, give your name for the record and also who you represent.
Thank you.

5 **CR BELZ:** For the record, Councillor Greg Belz, secretary of RDA
Committee Fitzroy and Central West.

MR BANKS: My name is Rees Banks; I'm the CEO of RDA Fitzroy and
Central West.

10 **MR COPPEL:** So if you'd like to give a short opening statement.

CR BELZ: Yes, thank you to the two Commissioners for allowing me to
stand in at short notice. You may be aware that my chair found himself
double-booked and so I'm here at short notice.

15
In terms of the role of Regional Development Australia committees,
one of our key functions is particularly in terms of promoting the
economic development, job opportunities, as well as, of course, the social
issues within the region. Our RDA committee region encompasses 12
20 local government areas, a very large part of Queensland. One of the
interesting things, as we talk about per capita distribution, is that central
Queensland has a population of 235,000 and contributes 19.6 billion to the
gross regional product.

25 One of the reasons, and I've heard this morning some of the
contributions, we chose to make a contribution, certainly our key
stakeholders of local governments within our region have made it very
clear to us that they have very great concerns in terms of what possible
outcomes there may be.

30
Our primary responsibility, particularly in terms of seeing the
economic development, our very great contribution in the Northern
Australia Inquiry, we're seeing a federal government with a policy that we
are just, as a region, as a committee, are so supportive of, in terms of
35 developing regionally Australia economy north of the Tropic of
Capricorn. We have a state government that has also spoken, in very
strong words, about shifting and increasing the proportion of the
proportion of the population in rural and regional Queensland.

40 Part of that, as has been enunciated earlier today by another speaker,
if we're going to see that investment and that preparedness of a population
to move to there then there is, in fact, a very critical need for both the
private sector and residents to know that if there is a disaster the
infrastructure, and particularly roads, will see themselves very quickly

brought back to a serviceable level, because industry, be it agribusiness, be it mining, in a range of ways, depends so much upon the road network.

5 Much of today you've heard speaking about roads, but depends so much upon it's road network to get its product to market, to get its services it needs to their sites, employees to come and go. I think we would all acknowledge that the slower the recovery period in that infrastructure, the more it costs the economy, the more it will cost the Commonwealth government in potential loss of taxes, but, importantly, 10 the less confident the private sector may be to invest in an area that they are uncertain of very quick reinstatement of the vital infrastructure that they need, in terms of being able to - for business continuity.

15 Certainly the areas that local governments have spoken to us about is a great concern about the uncertainty where the proposed changes. Local governments, for a good 20-odd years now, whenever there's change, it seems in so many instances to involve cost shifting down to the lowest level of government and the structure to local government, we've seen that.

20 I don't need to repeat, in any great detail, the information that would have been given to you by those who have greater clarity, perhaps, than I, in terms of issues of local government and its capacity to fund. But at the end of the day, however we break up the tax cake, whether it's including 25 GST or not including GST in terms of the collection versus the break up, the one thing that doesn't change is the local government at the bottom, at 3 per cent either way, in terms of the tax collection.

30 Local governments, increasingly - they're our key stakeholders in this RDA committee, stepping up to the plate in terms of regional development. They need to see the economy's working, we want to work with the states and the Commonwealth government in terms of building industry, building a population in rural and regional Australia. And particularly in our area, of great interest is rural and regional Queensland.

35 One of the messages that we do have is that we would like to compliment you on your recommendation in terms of the value for money issue and the day labour. Certainly, from our perspective, the information we're getting, that is indeed a critical part of local governments and local 40 communities. I use the term local government, but fundamentally it's about local communities.

45 That's probably the main sorts of areas. You've got our modest paper there, but our issue was about the RDA responsibility and particularly the continuity of the economy and the losses. One thing I would - actually it's

an unrelated set of figures, but it was interesting to hear the minister talk about 80 per cent of the disaster funding is on roads. On an entirely unrelated matter, 80 per cent of the road network in Australia is the responsibility of local government.

5

MR COPPEL: There are many partnership arrangements for funding between the Commonwealth and the states and the one that was cited was the one which has the particularly high share from the Commonwealth, I think. If you looked at the information from the Commonwealth Grants Commission for infrastructure, where there are shared payments, I think the average for the Commonwealth payment for infrastructure is in the order of about 20 per cent at the Commonwealth level and 80 per cent for - at the state level. So I think that particular example is very much taken out of that wider context.

10
15

CR BELZ: Yes. It was just one of those times in life that there's two entirely unrelated figures, but perhaps if we think about it long enough they are.

MR COPPEL: Maybe if I can start with, perhaps, a very fundamental question and ask you, how sustainable is the strategy of economic development in these areas which are so susceptible to natural disasters and where the costs are so great? Is this a sustainable strategy?

CR BELZ: That's a question I would suggest can be answered in time by people who have a greater capacity than I have. Clearly the Inquiry into Northern Australia is specifically about the opportunities there and those sorts of areas, in terms of cost benefit analysis as to what it leads to. But it's also about whether it's a purposeful public policy of the Commonwealth or, indeed, any state or territory to populate into the regional and rural areas, particularly with a lot of the congestion issues and demand on resources that are around the capital cities in almost every state and territory.

25
30
35
40
There has, for quite some time, certainly been a purposeful policy, in terms of announcements and in terms of campaigns from all sides of politics acknowledging that there are benefits to populate rural and regional Australia and, in our case, we're talking Queensland. But for that to occur there has to be jobs, there has to be services, there has to be investment opportunity. They're simply not going to move there with a tent. There are certain prerequisites for that to occur.

MR COPPEL: Are you aware whether these strategies do look at - usually they'll look at the strengths and they'll look at the weaknesses. Do they factor in the exposure to natural disaster risks?

45

5 **CR BELZ:** Clearly, both from a government and also a private sector decision because the issues of dealing with natural disasters are so well known, I would expect and anticipate, in my limited experience, those sorts of things are factored in, in terms of lost time, in terms of floods, just as the agricultural industry has, in some way, to try to factor in droughts.

10 In terms of the detail of the business case, that's not something that I feel particularly qualified to talk about in detail, but my experience, and anybody's experience, would suggest that some of those things would be taken into account in making decisions, from a business perspective, simply about continuity of access to the markets.

15 **MR COPPEL:** Yesterday at our hearings in Townsville, many of the western local government area - western Queensland local government areas participated and drew out some of the challenges associated being in a remote area, small population, low rate base. Some have, as a major economic activity, mines and there may be a road which is providing access to those mines and in those situations, especially the mining company that takes the responsibility for maintaining access to that mine through that road. In those areas is that a principle that you think would have greater application elsewhere, where there's a single beneficiary or a few beneficiaries that could be used?

25 **CR BELZ:** Increasingly we've seen a development of public policy, over the last 20 years, in terms of a greater focus on user pays and the benefit, where possible, that that occurs. There would already be some significant contributions made by mining companies towards the road upkeep, but clearly because these are things that have now evolved in your mining sector, and the Bowen Basin has now been evolving for 50 years almost next year, in terms of the coal mining sector. But, yes, in terms of the - if it's an exclusive use of roads, then one would reasonably expect that there'd be a strong and well-founded agreement on the costs sharing, if any.

35 **MR COPPEL:** Another issue that's come up frequently in remote areas is that when competing, for instance, for funding for mitigation it's very hard to win the argument on a cost benefit analysis framework vis-à-vis larger communities. Do you have any views on ways in which to evaluate where you can get your best bang for your buck vis-à-vis investments in mitigation, soft and hard?

40 **CR BELZ:** I would suggest that some of that is a matter of public policy and a determination by governments as to what is the strategic importance of an industry in a region, as opposed to what is the best cost benefit

analysis or bang for the buck. In fact, it may seem, on the surface, that it's serving a small segment of an industry, or a small population, but it can be of immense benefit, simply in terms of the connectivity.

5 When we talk about roads and that sort of infrastructure, they're not just limited to being in that particular area. They're going from somewhere to somewhere else and they adjoin it. If we talk about western Queensland, I mean ultimately you've seen, recently, the federal government now give some serious commitment to the highway across the
10 centre of Australia, and that's - while western Queensland is only a part of it, there's benefit that goes to those local areas, but there's a wider benefit. As one mayor was describing it to me, it's fundamentally the dream is a highway that will go from Perth to Cairns, through the centre. That's quite an interesting description of it, but fundamentally that's how I'm
15 trying to illustrate those sorts of things.

 When we're talking about some of those sorts of things - and ultimately it just keeps so often boiling down to roads after a disaster, particularly in inland Queensland.

20 And the mitigation, and we've heard speaker after speaker this morning talk about that issue of transiting from what used to be almost a 100 per cent focus on reinstatement of infrastructure to the betterment. I haven't met anyone yet who hasn't applauded that great initiative now
25 that's Commonwealth and state and local governments and communities. The important thing is communities are saying, "Yes, that's a good thing."

 The issue is about the quantum of money and how it changes. It needs a whole lot of new money because the reinstatement stuff is always
30 going to be there for a long, long time before the betterment provisions can significantly reduce overall across the nation the reinstatement costs.

 Probably the only last thing I would like to add is that I can't help feeling that there's a little bit of premature consideration in this because
35 from a local government perspective and from a community perspective, where it's about their rates of investment, there are so many big things about the three tiers of government going on in our country, in terms of the White Paper on Federation, on terms of the tax sharing arrangement, and the position that could be taken now, on this particular issue, if there
40 are changes in the next year or two could fundamentally change what supports the position now. It seems to me there's a little of cart before the horse.

 The outcomes of the White Paper on Federation, the tax sharing, the
45 three spheres of government, we would be better equipped to speak on this

and perhaps even to not be quite so concerned about what the outcomes might be if we knew, first of all, what that higher level outcomes were.

5 **MR COPPEL:** We do recognise, in the draft report, that there is the White Paper process that's ongoing and also possible paper on tax reform which could feed into that as well. But we think that what we're proposing here is a set of arrangements that can stand independent of what the White Paper may come down with, in the sense that there would be sufficient flexibility to make adjustment to those, in light of what may
10 come out of the White Paper process on Federation.

So we think that those sorts of issues wouldn't provide an obstacle or sort of lead to making changes that would subsequently need to be revisited.

15

CR BELZ: That's very encouraging. Thank you.

MR COPPEL: Thank you very much.

20 **MS CHESTER:** Thank you.

MR COPPEL: We are going to take a break for lunch and we'll reconvene at 10 past 1. Thank you very much.

25

LUNCHEON ADJOURNMENT [12.14 pm]

30 **RESUMED** [1.10 pm]

35

MS CHESTER: Welcome back, ladies and gentlemen. We will now resume our public hearings on the Natural Disaster Funding Arrangements in Brisbane today, and I would like to welcome our next participant Kate Isles from the Planning Institute of Australia.

40

Kate, thanks very much for joining us today, but also we wanted to thank you for your involvement in the inquiry process through providing a submission and through the meetings that we've had with yourself and some of your colleagues. So thanks for that. If I could just get you to state your name, organisation that you represent and then if you'd like to make some brief opening remarks?

45

MS ISLES: Kate Isles, Queensland President for the Planning Institute of Australia. I'm also the managing director of MWH Global and I'm the

former director of land use planning at the Queensland Reconstruction Authority. Today I'm here on behalf of the Planning Institute of Australia who has welcomed the opportunity to participate in this much needed national discussion.

5

PIA is the peak professional body representing over 5,000 urban and regional planners across Australia and overseas who work to create more productive, sustainable and liveable communities. Our members work at all levels of government, private sector and are members of the community.

10

Planning for the future is critical to Australia's productivity and liveability. PIA contends that the world is changing and that there is a collective need to focus on effective adaptation measures to accurately deal with the consequence of this change. Every year Australian communities face devastating losses caused by disasters. As we have all witnessed in recent years, and particularly here in Queensland, floods, bushfires, cyclones, heatwaves and storms have had significant impacts on communities, the economy, infrastructure and the environment. PIA supports the development of integrated responsive policy and strategies that contributes to, and develops, a more prosperous and resilient Australia. It is therefore timely that a national review is undertaken into the effectiveness of disaster funding.

15

20

25

However, PIA contends that building the resilience of Australia to hazards goes beyond just financial support. To deliver true resilience and an improved future state will require a holistic approach that considers data, governance, policy and strategy. PIA recognises and acknowledges that planning is an important tool in effectively managing numerous and rapid changes facing our communities. As the draft report acknowledges, land use planning which takes into account natural hazard risks has been identified as the single most important mitigation measure in preventing future disaster loss in areas of new development. PIA declares that having knowledge and understanding of hazards and risk is, however, of little use unless the information can be translated into relevant controls and mechanisms for dealing with them.

30

35

Therefore, for land use planning to play a role as a cost effective measure in building disaster resilience this understanding and principle of policy into practice does need to be improved. In this manner the PIA has developed its own program of works to ensure that the profession is better prepared to understand the role of planning as an effective mitigation measure. Our planning matter strategy, shaping the world today for tomorrow, has three focus areas. Focusing our members to be bold planning professionals committed to delivering good planning, invigorate

40

45

the profession by inspiring planners to embrace change and understand the value we bring, and to position the profession by championing good planning. This strategy includes dedicated training programs that will be run throughout the country to support and enable our members to be the best planners they can be. This strategy focuses on a number of relevant areas such as managing risk and creating resilience, being core elements as to why planning matters.

The PIA also recently actively participated in the National Managers Planning and Building Codes Task Force and is certainly supportive of the draft report's recommendation which acknowledges this work and the need to commit to the roll out of the investment and capability plans. PIA has also recently secured funding through the Attorney-General's 2014/15 National Emergency Management Projects funding pool to develop the resilience, education, implementation program as identified as a key activity in enhancing disaster resilience in the built environment road map. This project continues the institute's role in a commitment to enhancing the training and capability of the profession to respond to planning needs today.

Turning to the draft report, the institute is not in a position to specifically comment on the new proposed funding arrangements as suggested in the draft report. However, the institute would suggest that caution is exercised as to the financial capability of those stakeholders who would now be exposed to increased costs.

PIA agrees with draft finding 5.2 regarding total mitigation expenditure across all levels of government is more likely to be below optimal level, however the institute would also contend that more evidence is now forthcoming in understanding the value and the costings that can be saved through this investment. This has been recently proved through the flood mitigation works at the Balonne Shire Council. In this regard, whilst increased funding to mitigation expenditure is welcomed, the figure of \$200 million seems unreasonable, impractical and in particular the institute does not support the distribution to the states and territories on a per capita basis. This distribution should be based on exposure and vulnerability of particular communities to the natural hazards that they face.

In relation to data availability, the institute supports draft recommendation 4.1. The need to reduce restrictions on data availability is crucial as the current restrictions are a huge inhibitor to effective land use planning. Without this data, decision-making around land use planning and building controls is simply ineffective and does not reduce or manage potential exposure.

5 The draft recommendations under heading “Regulating the Built Environment” are all generally supported by the institute. The institute does, however, contend that the role and the responsibility should not be restricted to just the state and local governments, and that the federal government still has an important role in supporting good data collection such as that through the Bureau of Meteorology and through live data capture to support more accurate studies being undertaken.

10 PIA also agrees that the highly political nature of the planning process has contributed to ineffective land use planning; in particular the short-term political agenda often means that the long-term planning is not seen to be as important. However, in closing, the institute looks forward to working with all levels of government, private sector and members of the community to enhance Australia’s response to the hazards which we are exposed to. We all play an important role in this improvement. Recent years have helped us to significantly improve this understanding and build awareness, and therefore it is actually the perfect time to capitalise and change our thinking from being reactionary to proactive. Like many of the other goals that we all aspire to, let’s be a world leader in responding to the reduction in natural disaster risk. Thank you.

25 **MS CHESTER:** Great, thanks very much, Kate, and thanks for your feedback on some of our draft recommendations and draft findings. It would be good now if we could just run through a few questions with you, just to make sure we have a full understanding of PIA’s views and thoughts there. Maybe if we turn first to your feedback on the mitigation, and it’s an area in our report where we did seek feedback through this part of the Inquiry in terms of both quantum and the best way to distribute that quantum across state and territory jurisdictions. And we have universally heard feedback from people that the \$200 million is too low, but we’re still struggling to get a basis upon how we could justify a higher number. So it would be good if you could just run through what’s behind your thinking when you say the \$200 million - noting that it would have to be matched by states, so it’s \$400 million per annum - would be too low a figure.

40 **MS ISLES:** It was probably also more around where the 200 in the first place would have come from. I think when we reflected back on it and we look at the expenditure to date on reconstruction, and we’re over \$12 billion now, that you look at \$200 million and you look at a lot of the programs that I’ve sat on, particularly here in Queensland through the NDRP, where there is on numerous occasions \$120 million worth of projects put forward, there is only \$40 million on the table yet all of those projects seem to be of value.

5 I think what we've also started to see, and as I said before Balonne
Shire Council and the Maranoa Regional Council and the expenditure that
now they're putting forward, is actually making significant improvements
in terms of long-term savings. To be openly and perfectly honest, I don't
know what that figure is. I don't think many of us could put our finger on
what that figure should be. I think maybe \$200 million per annum may be
a great place to start per annum, if it is matched, but I do think it's about a
much broader discussion around the role of mitigation.

10
15 The \$200 million in mitigation, is that literally for hard concrete or is
it literally for data capture? Is it for allowing some of those local
governments to actively participate in buy-backs where the risk is deemed
to be too great to continue on with those particular uses? So I think some
understanding around the actual \$200 million, what that would be put for,
and is it literally about building levees? Is it literally about helping raising
homes? Or is it about that data capture? Because if it's that broader scale
and importantly about - in the first place is actually understanding and
getting the study that allows you to understand the risk at hand, then some
of those studies can be \$5 million in their own right to actually understand
well what is it that we need to do. So I think in that sense it's that pool of
funds and exactly what those pool of funds would actually be used for.

25 **MS CHESTER:** I think we anticipate in the draft report that the \$200
million matched by state or territory jurisdictions would be to fund
individual mitigation projects. Whether they're soft or hard depends
really on the decision making processes and the relative merit of those
proposals, and I will come back to that in a moment. But before we do
come back to the decision-making and governance arrangements around
30 the mitigation pool, on the distribution point - and we have had a lot of
feedback that per capita isn't the most appropriate mechanism - I guess
behind our thinking there was you need to then either do it historically, on
a risk rated basis, or forward-looking on a risk rated basis.

35 If you did it historically the only kind of comprehensive data set
we've got is the insurance loss data and that suggests that per capita, it's a
bit rough and ready but it's not too far from where you'd be. It does
disadvantage Queensland so there would be some adjustment required.
But it would be good to know what your thoughts are on, if we don't do
40 per capita, would tweaks to the insurance loss historical data be a good
way of allocating the money or are there other ideas that your institute has
that we could look at?

45 **MS ISLES:** I think there's a combination of ways, and if we looked at
what - and it's quite similar to the process that the former federal

5 government was looking at with the National Insurance Affordability Initiative that they were looking at rolling out as well. I think insurance and economic losses are one thing. I think literally the exposure and the understanding of many of the communities now, and speaking from personal experience here in Queensland, is the amount of data that we now have to actually understand which ones of our communities are more exposed than others is better than we've ever had before. I speak from the Queensland perspective but I know that same information is starting to really come to the forefront.

10 We look at a whole range of things, and another tool that I know that the institute is very supportive of is starting to look at actual community resilience indexes, and starting to look at how many particular lots are actually exposed, what's the population of that exposure. But then I think it's also then understanding, well, what is the mitigation measure that might be most appropriate? Again, in Queensland we look west of the Divide and we look at many of our communities who are built on the flood plains. Having development provisions that are actually raising these homes and having them above it is a more than adequate mitigation measure. But some of our other coastal communities who are now facing what will be 0.8 metre sea level rises and a whole range of adaptation strategies; they're probably the communities that we'd probably want to look at in a little bit more detail.

25 So I think there is a combination of the population and the exposure, but probably more so the consequence of that particular exposure on to that particular community. Looking at community profiling, what's the vulnerability of our communities, what's the vulnerability of the infrastructure within those communities. So I think there is actually a number of tools that are now floating around that could actually help form far better evidence-based solutions than some of this distribution funding.

35 **MS CHESTER:** So there's a couple of levels to the distribution. Firstly, there's the distribution to state and territory jurisdictions, and as we've identified in the draft report we think it's at the state level, in consultation with local government, that the final decision in terms of allocation to individual projects should be made. And I will come back to that in a moment. It's then sort of the tops down, from state/territory level, about where they think the risks are greatest and the thinking there might be that the NERAG process might provide a framework for that. And then it's kind of the bottoms up, the individual cost benefit analyses around individual mitigation projects. But importantly wrapped around all of that is a governance and a transparency, and the institutional arrangements to make sure that decisions are made based on best bang for buck, transparently and with a little less politics and a little more public policy.

But it would be good to get your feedback on the decision making mechanism and some of the governance that we have outlined in our draft report.

5 **MS ISLES:** Yes. I think some of the government structures are certainly there. From an institute perspective we are very supportive of the National Strategy for Disaster Resilience, and where that's set up - and obviously, as you know, our national president elect, Brendan Nelson, was the chair of the Building Codes and Land Use Task Force. I welcome the
10 comments that we need to take it out of the political agenda and we need to start looking at the communities which are faced with the exposure that they are, but I also think on a lot of the occasions if we are looking at the distribution through the states that's not dissimilar to what we're seeing in Queensland at the moment and we are seeing great projects actually get up
15 in that respect.

In terms of longer-term government structure, obviously we'd like to see something a little bit more heavy, if you like, at the federal government level in this case, and that's not just about the mitigation but
20 it's the overall strategy about climate change and adaptation and actually making sure that it is on the Australian government's agenda, because at the moment we don't feel that it is there. We welcome what Queensland has just done in terms of the Queensland Adaptation Strategy, but the reason why that's been brought forward is because the people of
25 Queensland came out in the Queensland plan and said these are the types of things that we believe are important.

So I think it's the combination of the top down and the bottom up. I think under the draft report the structure arrangements are fairly sound,
30 and the institute does support that. But I think there's probably further recommendations we can certainly provide after this session.

MS CHESTER: Turning then to land use planning, and as you intimated in your opening remarks there's a suite of recommendations that we have
35 in our draft report around land use planning, and I guess the question is if we're looking at what were our underlying objectives there, the first one was about getting greater transparency around land use planning. And one example there was getting someone to articulate what natural disaster risk appetites are embedded in the land use planning architecture, giving local
40 government confidence around issues of liability and release of information to make the tough decisions, and providing local government with some more support to be able to implement those land use planning decisions.

It would be good to know from your perspective whether those recommendations go far enough, or whether there are others that you've got in mind that could achieve those objectives, or if there's other objectives that you think we should have been looking at.

5

MS ISLES: No, we certainly welcome the recommendations as they are at the moment. I think, importantly, what you've just said in terms of providing some certainty and some confidence to local government to allow them to make the decisions that they need to make to make their communities safer is certainly something that the institute supports. We have been very open and honest to say that there has been ineffective land use planning to date, and that is fundamentally due to the fact that we've had ineffective data and the right data to actually allow more informed decisions.

10

15

We have come leaps and bounds since 2010 across this country, and in particular here in Queensland, and we're now starting to get that data that's going to allow local government to make more informed decisions. And we're seeing that across the board in terms of a lot of the roll out of the new planning schemes, and again, particularly here in Queensland, that councils are starting to make far more bold decisions about the risk that they're exposed to.

20

From an institute perspective we agree that the injurious affection under the Sustainable Planning Act here at the moment is ineffective and it is actually inhibiting local government from doing what they need to do, but we also say that, you know, a lot of the role of land use planning isn't just about back zoning. It's about looking at the most appropriate development in the right place. And zoning changes don't need to be bad; there is a lot of good development that can actually occur in areas that are exposed. As I was saying before, a lot of the training program that we're doing is starting to embed that right back down to planning courses all the way through, to say that there are these suite of measures. And there's a whole range of them from split zoning to using development controls to precinct controls to limiting development and to changing all of those rights.

25

30

35

We didn't see that there was anything fundamentally missing from the recommendations as it related to land use planning other than probably - and I don't know if it's necessarily the role of this inquiry - but the role of the profession itself in actually allowing more effective decision-making in that process.

40

MS CHESTER: You rightly point out that the data and the analysis of the data has come ahead in leaps and bounds in the last handful of years,

45

and certainly we've had a lot of evidence both in terms of government at all levels and also the insurance industry. We also heard evidence, Kate, though that there's examples of where the data has informed a land use planning parameter only then to be withdrawn by government, and I'm
5 thinking there of the sea rise parameters that were in place, and as we understand it from the evidence we've received, has since been withdrawn. So it seems to us that there's still a missing gap when there's data analysis but then we still don't see it translated to state planning policies.

10 **MS ISLES:** Yes. A couple of different responses there. Firstly, from an institute perspective, we fundamentally do not agree with the direction of a number of the governments in terms of taking away the need to actually deal with climate change as part of a planning response. But having said
15 that, there's ways in which we can deal with it and plan for it here and now. There's ways in which we can inform our communities of the changes that they're likely to face. We certainly feel that there is a number of decisions that are happening at the moment that do seem to be in conflict with the broader agenda.

20 We talk about creating great places now and into the future and for our grandkids, yet we are taking away some of those more policy-based decisions that we should be making. Ultimately I feel that there should be guidance from the federal government through the state government, but
25 ultimately that decision should rest with the local government. If that local government wants to take on board climate change and they want to plan for climate change then they should be allowed to do so, and from a good planning perspective we believe that that should be the case.

30 But that's not to say that necessarily we need to go and rezone all of the land that may be inundated by 2100 year, but it may be more the case that we need to at least get some maps out to those members of the community to say that this is the exposure that you are faced with, but
35 start to put in some of those transitional provisions to say, "Well, actually in this place, whilst you can continue your existing use right, you need to actually start raising your home." And as we said before, planning can come in a whole range of suites and go sort of hand-in-hand with a lot of the building controls, but there are a whole range of various mechanisms. But in terms of some consistency in what we'd obviously like to see is
40 that there are recommendations coming out that say that effective land use planning does absolutely take into consideration the impact that climate change is going to have, particularly in Australia.

45 **MS CHESTER:** I think what we're trying to get a handle on is drawing the line in terms of what should be articulated and embedded in terms of a

5 risk appetite for natural disaster is at the state planning level and what should be at the discretion of local government. And the sense that we're getting from local government is that there's a lot of areas where the benchmark or the guidance required at a state level, like sea rise, where they can then make a decision - just if you were drawing the line in the sand that way what would be some other parameters that might be relevant to natural disaster risk that would make sense to appear in state planning policies?

10 **MS ISLES:** Again reflecting here in Queensland, I think that the State Planning Policy has come a long way in terms of actually dealing with and taking it to a risk-based approach. We had a former SPP here which was ineffective. It wasn't being implemented throughout all of the planning schemes. We've now got a new planning scheme that is calling for risk assessments to be undertaken. At the moment there is, literally, debate
15 happening here and now in Queensland on that exact issue about the need to actually look at adapting for and actually responding to climate change as part of new planning schemes that are coming in.

20 Our view from an institute perspective is that climate change should be something that the state government says in a planning policy sense should be addressed, and then ultimately it's up to that council to understand well, on the ground what does that actually mean for a number of my key areas and is it something that I want to effectively manage, and
25 if so how I want to actually manage that. So the state should definitely put forward the guidance in that respect, but ultimately how it's implemented should be up to the local government.

30 **MS CHESTER:** You touched on before the role of federal government, and just from the notes I jotted down it seemed to be around what sort of data might be required to have access to inform good land use planning, and more about what I think the Australian Business Roundtable has referred to as foundational data, like (indistinct) and the LiDAR data.

35 **MS ISLES:** Absolutely.

MS CHESTER: That's the role that you see federal government - any other role with respect to - - -

40 **MS ISLES:** I still think that there does need to be a broad scale policy intent that creates a bit more consistency across boundaries in terms of what is it that we're ultimately planning to and, more broadly, if we are looking at a more resilient Australia in whatever shape or form we do have it, because we're saying we've got this national strategy for disaster

resilience but who is actually out there implementing that and ensuring that it's happening on the ground?

5 So I think there's a very strong governance and policy intent that
needs to be driven down by the federal government level. Obviously
some accountability around the distribution of funds and making sure that
those funds are actually being implemented in an effective manner, and
that includes a number of those existing programs that roll out. But the
10 LiDAR, it is what we would say would be the flour to the cake in terms of
actually understanding what needs to happen on the ground. We look at
successful programs like the Queensland Flood Mapping Program and the
ability of that LiDAR to now change what would have been a \$300,000
flood study into something that engineers are delivering for \$20,000 that's
15 giving that community the same level of effectiveness that otherwise - that
big spend.

So that LiDAR capture program - and it's not just about being able to
help inform flood studies or for any other natural disaster resilience
purpose, but it's even allowing more effective on-the-ground management
20 from the SES because they've never seen such great data for their
particular area. So I think the LiDAR absolutely, and if the federal
government was of the mindset to actually come forward and champion a
program to continue that improvement, I think we would see a far better
state of play and a roll out from policy into practice, particularly around
25 the land use planning side of things.

MS CHESTER: I just have one final question and that is around the
LiDAR. As we understand it, and correct me if I'm wrong, the issue there
is it's kind of like a licensing issue that the individual councils or
30 individual governments have, through the private sector provider, has had
the LiDAR mapping done, different degrees of granularity, and then it's
not able to be used by any other party. Is that the issue in terms of
accessibility?

35 **MS ISLES:** That's certainly not the case across the board. In
Queensland the roll out that was headed up by Natural Resources and
Mines, they did a collective program and they've released that data free of
charge to local governments where it's going to be used from a natural
disaster perspective. I certainly know that that is the case in some of the
40 other areas, and probably more so in some of our other states and
territories, and in some areas where we've got more regionally-based
issues there has been problems in the past with, as you say, the granularity
of it. It is huge data so in the event of an emergency even trying to
download that LiDAR from a particular - it could be 3 terabytes of data.
45 So there's one thing to have the data available, it's one thing to then be

able to roll it out in the event of an actual emergency as well. That's a completely different issue.

5 **MR COPPEL:** You mentioned that there have been leaps and bounds in the information that is being collected to assess hazards. Are there any gaps, existing gaps, in the information?

10 **MS ISLES:** There's always gaps. In particular if we look at different states and territories then - and from the institute's perspective people like Tasmania and Victoria are leading the charge in terms of bushfire and their response to it, all the way down to their land use planning, but that's because that's the hazard that seems to be most prevalent and it has been something that they've grasped while they've had to deal with it in recent years.

15
20 Similarly though in Queensland, we've got a great new wealth of data around flooding, but that's not to say that we don't have enough data around cyclone activity or storm activity, and in particular I would also say that we don't have enough information about the potential impact of climate change and sea level rise on a number of our coastal communities, and I know there's some colleagues here of an allied organisation, LGAQ, and the work that they're doing in terms of adaptation plans and working with councils.

25 The big thing though is some of those restrictions, as you say, around the release of the data. There is a lot of private sector people out there, including all of the mining organisations and all of those people, who gather this enormous amount of data and the IP arrangements around that are very, very restrictive. So we've seen in Queensland again an open data strategy which has helped to transform a lot of this information - I think a roll out of that in particular, but also incentivising some of the private sector to release a lot of their information, because on numerous occasions when we found that there was a whole range of LiDAR that was stored by a particular company and it was done three times, and it didn't need to be done three times across sort of a six month sort of period.

30
35
40 I think the other big thing is - and as we've seen here - is that in Queensland we're starting to see new planning schemes actually rolling out. New planning schemes are starting to take into account what the SPP is asking to be delivered here in Queensland. It's probably fair to say though that the consistency of that actually on the ground in those planning schemes is just not there, and the institute recognises that we play a very strong role in educating our practitioners as to how to better actually reflect that, and how to make and encourage local governments, which they're working with hand-in-hand, as to actually rolling out better

decision-making and what that planning scheme should ultimately look like.

MR COPPEL: Thank you.

5

MS CHESTER: Kate, thanks very much for being able to join us this afternoon and for your involvement in our inquiry.

MS ISLES: No worries, thank you.

10

MS CHESTER: I would now like to welcome the Local Government Association of Queensland to join us. Please just let me say at the outset we wanted to thank you for your association's very active involvement in our inquiry process, both through involvement in meetings, initial submission, a further submission following our draft report, and also for helping us to get the timing and the location right for our public hearing in Townsville yesterday, which we got a lot from, and it was great to be able to hear from so many different council and shire, regional councils across Queensland. So we do thank you very much for that.

20

If I could just ask you each to state your name and the organisation you are representing, just for the purposes of the recorded transcript, and then if you'd like to make some brief opening remarks. If you could keep it to under five minutes that would be appreciated.

25

MR HOFFMAN: Greg Hoffman is my name. I'm the general manager of advocacy at the Local Government Association of Queensland.

MS TALBOT: Simone Talbot, manager Infrastructure, Economics and Regional Development at the Local Government Association of Queensland.

30

MR HANNAN: Luke Hannan, manager of Planning, Development and Natural Environment at the Local Government Association of Queensland.

35

MR SWAN: David Swan, manager of the Commercial Solutions at the LGAQ.

MR HOFFMAN: Thank you, Commissioners, for the opportunity to appear today and I, likewise, reciprocate and thank you for the change you made to the hearings to enable us to appear yesterday and today to represent local government.

40

As you know, the association is the peak body representing all of Queensland's local governments and we've been active in this matter, given the very significant impacts that changes could have on us. The history of the relationships between the Commonwealth, state and local government in relation to natural disasters goes back to 1974, as you have identified, and with the trigger for formalising the arrangements in fact were the Brisbane floods in early 1974. So the issue is long-standing of significance and importance to us.

Significant or subsequent natural disasters, the reality of the impacts of the relationships are very real and important to us. Over the last 40 years the Australian government's role to coordinate assistance to states and territories in the event of natural disasters has been formalised, initially through the Natural Disaster Organisation and now under Emergency Management Australia. The last significant review was in 2002 and I was personally involved in that for many months representing at the time the Australian Local Government Association. We were pleased with the outcome of that process because it did examine very thoroughly the roles and responsibilities, but very much highlighted on the question of the capacities of the respective jurisdictions to play their part in dealing with the issues and, importantly, the costs that are involved.

To reduce the Australian government's contributions share from what it currently is would, in our view, be an effective abandonment of the communities in the time of their greatest need. To illustrate the point over the last six years, 2009 to 2014, Queensland councils would have faced additional costs totalling just under \$1.3 billion, or an average of \$210 million per year, if the Australian government's support had been reduced to a flat 50 per cent. Overall for the period 2011 to 2014 there would have been an even higher average in fact in the order of \$275 million per year.

To describe the impact on these budgets for non-indigenous councils, 60 per cent of our councils would have had additional annual cost equivalent to more than 15 per cent of their annual general rate revenue. 40 per cent of them would have had increases of more than 50 per cent of their annual general revenue, and 18 per cent could have additionally had costs of more than their annual general rate revenue. In addition, the 16 indigenous councils with no general rate revenue had over \$220 million in NDRRA eligible damage between 2009 and 2014. They would have faced an extra annual cost of at least \$10 million which they would have no capacity to fund from own source revenue.

The Commission proposes reducing the Commonwealth's share from 75 to 50 per cent under NDRRA, however in reality the Commonwealth does not currently pay 75 per cent. It's nearer to 60 per cent when

5 threshold limits and ineligible costs, but essential clean up and reconstruction costs are taken into consideration. What is more alarming is that if the Commonwealth contribution drops to 50 per cent its real level of contribution drops to an estimated 40 per cent, compared with its taxation revenue share of 70 per cent.

10 This situation is further exacerbated by the proposed increase in the small disaster threshold from \$240,000 to \$2 million. There are 11 non-indigenous councils with annual general rate revenues below \$2 million, many of which are subjected to flooding causing extensive damage to their road networks. If this change had been in place since 2009, ten NDRRA activations impacting 56 councils, including ten indigenous councils, would have resulted in these councils being denied financial assistance from the Commonwealth.

15 This can only be described as a massive cost shift to the state, territory and local governments with extremely adverse impacts on communities across Queensland, causing reduced service levels and standards of living, reduced investment in infrastructure and reduction in local work forces with flow-on effect to industry. Local government therefore becomes collateral damage in this change.

20 I make this claim because your proposal to offset these adverse impacts through insurance is, on our investigation, impractical, unrealistic and at the very least unaffordable if cover ever became available. We certainly reject the proposition that there is a reluctance to obtain insurance on the part of councils. Considerable effort has been expended on behalf of councils to establish whether viable insurance is available for council assets, and details of this are in our submission.

25 There is in this debate over who pays what in disaster recovery one approach guaranteed to produce a win/win outcome. This is the acceptance of the use of council day labour work forces. Evidence produced by the QRA from the value for money pricing model day labour trial for events occurring from 2011 to 2013 demonstrated beyond doubt a saving of some \$120 million. We note the Commission has itself acknowledged the situation, but we are seeking a recommendation in the final report that the NDRRA determination be amended to permanently incorporate the value for money principles enabling the use of council day labour work forces.

30 Many of the council submissions you have received deal with this topic. I would like to table later a case study report we received only this week from Boulia Shire Council wherein they graphically demonstrate savings in the order of \$522,000 could have been achieved if they had

been able to use their own project management and finance staff on their current \$9.2 million flood damage restoration program.

5 LGAQ has noted what can only be described as an unusual view of the IPWEA submission which suggests a move away from reinstating assets to current engineering standards to a written down value approach. The suggestion that an accounting concept, which is applied to the real world need to reinstate the service level provided by a particular piece of infrastructure, is theoretical at best. It is entirely impractical and certainly
10 not a reasonable basis for determining the value of the asset that needs to be replaced. Assets are rebuilt to restore service levels, most commonly to reopen a transport grid, while meeting current engineering standards for safety and reliability reasons. There is also the opportunity in this process to build in resilience and possible mitigation measures. None of these are
15 achievable using a written down value approach.

The Commission's draft report recognises vertical fiscal imbalance as the fundamental principle in cost sharing arrangements. This is undeniable. The relative share of local government revenue is 3 per cent,
20 compared with 15 per cent for the state and 82 per cent for the Australian government. After GST payments to the states are taken into account, the relative shares become 3 per cent, 27 per cent and 70 percent, and this remains the most compelling basis for the contribution shares to natural disaster reconstruction.

25 To conclude, I would like to table supplementary documents to our submission to the Commission. Firstly, the Boulia Shire case study I referred to previously. Secondly, we have prepared a paper providing our comments and references on each of the recommendations in the
30 Commission's draft report, this should assist in more easily identifying the association's responses to each of the recommendations. Finally, I would like to include in our document the tabling of the six motions of NDRRA and matters relating to this Inquiry that were debated at the LGAQ's annual general meeting held in Mackay on Wednesday of this week. All
35 six were adopted, reflecting the depth from local government in Queensland about natural disaster funding and the NDRRA in general.

Thank you again for the opportunity.

40 **MS CHESTER:** Great. Thanks very much, Greg, for running all through that for us. Perhaps if we start first around the broader underlying principles of the funding arrangements. And as you have rightly pointed out, the cost sharing is really driven by the reality that we still live with today, which is vertical fiscal imbalance. The way that we approached it
45 in the report was the thresholds are really about the safety net objective,

what really knocks around a state or a territory jurisdiction at the state government level, and then the cost sharing is really what is driven by vertical fiscal imbalance.

5 I appreciate the comments you made before about revenue raising. Vertical fiscal imbalance is really about what revenue is raised and what is expended, so it's looking at both sides of the equation when working out what should occur at Commonwealth versus state versus local. And it was from that perspective that we identified that, on average, over a long
10 period of time, for the Commonwealth to deliver on VFI, on average, it's around 50 per cent. Just so you understand, that's what was really behind our cost sharing figure there.

15 But we'll come back to that later because it's a little bit more complicated, as you rightly know, with other Commonwealth grants commission processes. So if you accept that it's VFI for the cost sharing and the thresholds are around what really knocks around a state fiscal position in terms of it being that sort of safety net objective.

20 Greg, you ran through a number of numbers in terms of the impact that you would assume that our policy changes would have on local government in Queensland. Am I right in saying that you are assuming that it's a full cost to pass through, that the Queensland government would not be picking up any of that reduction in the cost sharing rate from 75 to
25 50 when you have done those calculations?

MR HOFFMAN: That's correct.

MS CHESTER: That's very helpful to understand. I think it might be
30 important then to turn to what we understand, and your calculations there are based on the net fiscal impact that has been estimated by the Queensland state government?

MR HOFFMAN: Yes.

35 **MS CHESTER:** You weren't here this morning but we did have a very good dialogue with the state minister around that table where they set out their evidence around the net impact on the Queensland state government, and it's probably a little bit different from what has been suggested in that
40 table. I thought it might be worthwhile running through that now before we then get into the issue of relative fiscal capacity.

I'll try to just go through this very, very briefly, but there were five
45 elements to the net fiscal impact position of the Queensland state government. The first one was reducing the cost sharing rate from

75 to 50 and the government has estimated that to be \$2.7 billion, if we were to rewind the clock and do it over the past four years. The concern we've got around that figure being an overestimate is that it doesn't take into account the second round of cost sharing that occurs through the Commonwealth grants commission process. So when you take the 75 down to 50 that 25 per cent isn't all paid for by the Queensland government, the other states and territories actually pick up 80 per cent of that 25 per cent. So that figure actually goes from 2.7 to 540 million.

10 We accept the suggestion, the evidence, that the increasing the state threshold under the NDRRA results in an impact over that four year period of \$200 million, increasing the small disaster criteria from 240,000 to 2 million results in \$6 million of additional cost over the four years. They identified eight events that they thought would not be eligible, and we'll come back to that later.

MR HOFFMAN: There's a different timeframe between that number and our number, which is a longer period.

20 **MS CHESTER:** Thanks, Greg. So we kind of come up with a slightly different number, instead of it being 5.3 billion - sorry, and importantly, the minister includes the removal of insurance duty of 2.4 billion. That was sort of reading the first half of our recommendation, which was make insurance more affordable by getting rid of those levies but replacing it with other less distortionary state taxes, so we would have seen that as a zero. But at the end of the day the state government has ruled out doing that, so we actually come up with a slightly different figure of about \$750 million of impact on the Queensland government over that four year period.

30 Sorry to labour this but it's really important then when we're talking about the issue of relative fiscal capacity because it means that it's about \$180 million per annum additional cost to Queensland, and if you view it that way, in terms of relative fiscal capacity we would view that that is something that could be absorbed by the State government.

40 I just thought it was worthwhile running through that with you because it's quite important in understanding those numbers in terms of what really is the bottom line impact and then who is best able to bear that net fiscal impact. But I guess at the end of the day cost sharing is cost sharing, and what we are trying to do is get the incentives better aligned for managing those risks, particularly at the state government level.

45 **MR HOFFMAN:** The first question around the grants commission matters; I cannot understand the legitimacy of saying that's an offset. The

5 GST, which is the basis on which the distribution occurs, effectively is put in place to enable the Commonwealth to more efficiently recover taxes the states would have otherwise themselves collected, that was the basis of it. Whilst there is still some unfinished business in that process I don't believe it's fair and reasonable to see that as, effectively, moneys provided by the Commonwealth.

10 **MS CHESTER:** So it's not moneys provided by the Commonwealth, indirectly it's actually moneys provided by other states and territories. And there was a table in our report that didn't attract a lot of attention and it's actually Commonwealth Grants Commission data that I think was released for the first time which actually told us what that second round of the cost sharing was. And over that time period it showed that Queensland got \$670 million from cost sharing arrangements that they have through the GST pool with the other states. Anyway, it's just important - - -

20 **MR HOFFMAN:** Yes. But the other issue here is, irrespective of the source of the tax and the reason for which it exists, is that the very different processes between the distribution of taxation through the Grants Commission and the issues that relate significantly to natural disasters, where they occur, when they occur, what years, how many in a given year, the ability to respond to it is not easily, or directly for that matter, related to Grants Commission distributions. If there is an element in the consideration it is very limited and certainly isn't going to be able to respond to what happens over a given short, or for that matter, long term. In my view, they are quite different issues.

30 **MS CHESTER:** I guess the issue that we're talking about is, with these changes, what is the net fiscal impact on Queensland in terms of what might flow through to local government and relative fiscal capacity which is an issue that you rightly raise. And all we're suggesting is there's another round of the cost sharing that hasn't been taken into account, and that is helpful to know in terms of what is the net impact on Queensland and where the relative fiscal capacity might be to absorb that. Perhaps we'll elaborate more on that in our final report in terms of relative fiscal capacity.

40 **MR HOFFMAN:** Sure. Yes, I guess the question from our perspective is if the Commonwealth reduces its payments as proposed in the draft report, and the assumption that local government will continue to be supported in the same way as it is in your mind, well, I'd have to ask you to think very seriously about that as an outcome. Because is it realistic to think that whatever the reduction is likely to be to the state government, that you, likewise, therefore, will pick up the reduction that that would

45

mean for local government. And in my reading of their submission and in the information we have obtained, the prospects of that are remote in the extreme.

5 You can rightly draw the conclusion that local government is feeling very exposed in this situation, and to have to rely on the state government's capacity to do this, from our perspective, is not a situation that fills us with a lot of confidence. That is no criticism of the state government; it is our appreciation of the situation of which our assessment
10 of the financial capacities are.

 Despite our discussion now about what in fact is the level of Commonwealth contribution, recognising thresholds as I mentioned, and an increasing degree to which eligibility has been denied, then the cost
15 burden in terms of the principles, the NDRRA determination and its application, councils have had increasing costs imposed upon them.

 That's a situation that this report would suggest would be further exacerbated, and we simply do not have the capacity to respond, and as
20 indicated in the submission, the financial impacts on councils' rates for, quite possibly, 60 per cent or more of councils, would be devastating if things were to occur with any level of rapidity to what we've had in recent five, six years.

25 **MS CHESTER:** Yes. So maybe if we turn to the small disaster criterion which is another really important parameter to the funding arrangements, and it's an area where, in preparing our draft report, we actually didn't have event level data from the states to form a view. But our guiding principle there was we had received evidence and suggestions that the
30 small disaster criterion was too low and it was kind of picking up routine weather events, not really what people would intuitively think are natural disasters, and while we appreciate that is a subjective concept, the costs of what is being used is a bit of a proxy measure

35 What we're really trying to do there is work out, well, what is an appropriate level. We think it's higher than 240,000, we thought 2 million might be about right, just based on looking at some of the insurance loss data and the non-linearity in that, 10 per cent in the disasters result in 80 per cent of the costs. And it does kind of bear out in the information
40 that we got from the Queensland state government, that across the 34 or 35 events only eight would have been ineligible, and across the billions of dollars that have been spend, that would have only resulted in \$6 million having missed out over that four year period.

5 More importantly, it's kind of now getting to more of the coalface in terms of the events that you refer to, Greg, that would have missed out across your councils, which of those do you kind of feel would, in substance, look, smell and feel like that was a natural disaster and it should have been picked up.

MR HOFFMAN: You would like me to give you some examples?

10 **MS CHESTER:** Yes.

MR HOFFMAN: That's a big ask, I can't answer that now, I don't have the ready data, I'm happy to take it on notice. If any of my colleagues feel they can respond, please do. But we'll certainly take it on notice.

15 **MS CHESTER:** Because we do want to get that level right and the only guide we've got is what has happened historically. And whether or not, if we are missing, whether it's eight or 10, 13 events in Queensland, of those that we would have missed, which of those you would view to be a natural disaster as opposed to kind of like a routine weather event that results
20 in - - -

MR HOFFMAN: I think the point to realise here is that what triggers NDRRA. If there are a number of impacted communities, the trigger will be reached reasonably easily. The point is, where it is simply an isolated
25 event, and increasingly this is occurring, severe storms are causing very significant damage in an isolated communities. And for many of the smaller communities, as we have identified, if they were to suffer a \$1.8 million damage that didn't trigger the threshold for NDRRA activation, and that cost is therefore theirs, then looking at the capacities
30 for councils to respond to that situation is the serious issue for them.

I guess we could look at examples and maybe look to adjust the threshold, but the point is all you need is one or two, and increasingly that's the case, and you've got very vulnerable communities impacted to
35 the extent that they can't respond and having to rely on other arrangements, they don't have the capacity so who do they turn to to assist them. And when you look at the revenue relativities across the jurisdictions it's the Commonwealth that's got a far greater capacity to respond than anyone else. And that's the thrust of our argument.

40 **MS CHESTER:** I appreciate that. But I guess, at the end of the day, this is about natural disasters so we're trying to, in substance, make sure it's focused on that. We do appreciate there's a trade-off between what might be classified as a natural disaster event and what still might be a huge
45 fiscal impact to a small, remote local council.

But if you could come back to us with some of those examples that would be very, very helpful because we do want to try to get that figure right in our final report, and based on evidence.

5

I think the other area of our report with respect to the funding arrangements, which is probably the most meaningful part of reform in how effectively post-disaster recovery and reconstruction funding is spent, is seeking to move away from the reimbursement model so we can look to have greater autonomy in how state and local government spend those moneys, and, for us, this is the way that we deal with issues of day labour and betterment.

10

It was an area that we discussed at length yesterday in Townsville, it was very insightful to hear where local councils were up to and their views on the feasibility and the practicability of putting in place what we call sort of an assessed benchmark costs. We got some very helpful feedback about we might need to be flexible with the timeframes for when those assessments might need to occur, particularly if roads are still underwater. But on the whole we got a sense that, in time, that is something that could reasonably be transitioned to.

15

20

Be good to get your feedback on the merit of, one, firstly delivering that autonomy to local government and how the moneys are spent so we don't hear groundhog day and day labour stories, but also how we could best transition to those new arrangements.

25

MR HOFFMAN: I guess there's three parts to the question, in my mind. The first is the creation of benchmarks at a given point in time probably is possible, and that happens for a range of reasons. As indicated in our submission, we have undertaken work recently to provide a framework for the valuation of assets for the purposes of meeting their requirements in terms of financial reporting, that serves that purpose. However, to consider the step from that assessment for that purpose at that point in time, not having a regard to disaster impacts on an asset is a big step.

30

35

If you undertake an assessment of a cost and were to conclude that that's what the funding provision would be and leave it then, as you say, autonomously to the jurisdiction to look after it, you cannot know what the actual cost is likely to be with any real certainty, particularly when it is assets subject, as you say, to prolonged inundation. A structure that is destroyed is one thing as opposed to the nature of road or other assets that are roads - sorry, bridges and buildings and things of that nature can well be viewed, you can have more confidence in what assessments may be in relation to those matters. But, for us, the significant issue was roads, as

40

45

you know, and being able to assess early and to have an accurate cost at that point is just not realistic.

5 **MS CHESTER:** So is it more you think if we do it too early it's not feasible, Greg, or is it?

10 **MR HOFFMAN:** Well, yes. In fact in lots of instances, until you have opened the road in question, do you know the extent to which the inundation has damaged it, and that's a major concern there.

15 The other issue is that how long does this process potentially take to get it reasonable and fair and appropriate. One of the great advantages of the current arrangement is that the affected parties know what the process is and how they will be supported. And one thing we don't want is a system which leaves us in a void as to what will be done and when it can be done, what the cost support is likely to be, because that of itself will not see work commence at all if - and herein lies some of the dramas of recent times.

20 We don't want a situation where it simply takes months and months and months to get a decision as to what the outcome of a financial level of support would be. Communities impacted by natural disasters want to have confidence as to what will be done to support them so that the work - well, people can look forward to an outcome in a time and at a cost that they can support. But to have processes delayed for many months is not what you need to do to respond to the trauma that has impacted people and the loss of property and their community being damaged, and their desire to return to normality at some reasonable time.

30 **MS CHESTER:** That's kind of the opposite of what we're suggesting and envisioning here. What we are suggesting is that, similar to the current arrangements, there is an initial assessment about whether or not this is likely to be an eligible event.

35 **MR HOFFMAN:** Yes.

40 **MS CHESTER:** The same issues apply under the current arrangements as would apply under the new arrangements. It's then what would be a reasonable timeframe to go in and do a damage assessment and then apply that damage assessment to the benchmark costs that have already been established and agreed between whether it's the QRA or whichever Queensland state entity and local council, based on different benchmark rates for different regional jurisdictions within Queensland.

5 So from our perspective it's more about creating greater certainty
upfront and by saying, "Well, this is the estimate, here's your 50 cents in
the dollar from the Commonwealth, you decide how best to spend it." So
whether you want to use day labour or not, whether you want to integrate
some betterment, whether you just don't even want to rebuild the road, but
you've still got your 50 cents in the dollar. So, that's the model that we are
looking at, but I guess so far as it's a trade-off - - -

10 **MR HOFFMAN:** But this is predicated on the 50 cents in the dollar and
that is where we perhaps have therefore balked on it.

15 **MS CHESTER:** That's a separate issue. If we just look at this as one
stream of meaningful reform, whatever the cost sharing arrangements are.
For us to be able to move away from the prescriptiveness that will always
remain in Canberra under a reimbursement model, where Canberra is
wearing the complete risk of what the ultimate costs are, but they're not in
the driver's seat with how it is spent. For us, it's kind of that's where the
nexus is.

20 **MR HOFFMAN:** I feel a bit like I'm sticking my neck in the noose here
to be honest, to answer that question. Of course the autonomy to get on
and do the job, but it may well be that that level of support to get on and
do it means that it can't be done. That's the other side of that equation,
yes, you could have certainty, but you can have certainty that you can't do
25 the job. That's the problem.

MS CHESTER: Sorry, I'm not quite sure I understand what you mean,
that you can't do the job?

30 **MR HOFFMAN:** If the damage, in truth, is likely to be at a certain level
and the assessment that you best do now ends up being significantly less,
or I should say the other way around, the assessment is a particular
amount of money and ultimately the real cost is going to be more than
there will be a reluctance to commence something that you can't complete
35 or you'll have to ration what you do in relation to any particular asset or
set of assets on that basis.

40 **MS CHESTER:** At the moment, you can't go in and start any works until
you have made that initial assessment because QRA won't give you a tick
off, and you actually don't know what works you need to get done. So I
agree that you need to get - - -

45 **MR HOFFMAN:** True. But you will know, after that assessment is
done, NDRRA is triggered, approval processes are followed, then the
work commences. And what it actually costs, you can be confident that

those costs will be reimbursed, save the thresholds and ineligible items and the like, that's the certainty you've got.

5 **MR COPPEL:** Yesterday, in Townsville, we heard from many councils that the assessment that was made by QRA and was ticked off, and the actual payment that came through subsequently, there was always a gap there. So there is an element of risk associated with the current arrangements, that was one point. And the other point that reflected a
10 was that the risk of under-assessment is also potential risk of over-assessment.

15 There was an example that was given, I think it was Cook Shire Council, where the initial assessment came in quite above the actual final recovery costs. So it's not a one-way, it's not skewed. So that gave us a greater degree of confidence of recognising that there are challenges with such an approach, that they were challenges that were not insurmountable.

20 **MR HOFFMAN:** I guess there's two parts then. The first is that temporary works are going to need to be done in lots of cases for safety and maintenance of basic access. The question then is when is the assessment done to have some confidence that that assessment is going to bear some alignment with reality when the work comes. And there is always risks. I know you talked about unders and/or overs, and there's
25 always the risk of unders, and it's a question of what drives the assessment, who does the assessment, who approves the assessment, and confidence in that.

30 **MS CHESTER:** Maybe we need to think about a safety valve mechanism, in terms of having greater flexibility.

35 **MR HOFFMAN:** I would think you have, and that that is a way to address the situation that, with the best will on all of the parties, the assessment is not going to be able to get it right, or it may well be significantly problematic when the reality emerges, you've got to protect against a situation of that sort.

40 **MS CHESTER:** I guess it comes back to the trade-off, does local government want some autonomy to deal with issues like day labour and betterment, or do you want to stick with the reimbursement model and have no risks about ultimate payouts. But, as Jonathan pointed out, there's seems to have been some gaps in any event.

45 You raise an important point, Greg, about who should make the assessment. And in our report we talk about envisaging local council

5 making an assessment of the damages and then applying those to benchmark costs, but if you got to a certain level where a greater accountability might be required you could bring in an independent assessor. I think we suggested in our report a figure of about \$5 million, if it was above that threshold then an independent assessment might be required. But good to get your thoughts on that.

10 **MR HOFFMAN:** I'll take that one on notice if I may. I want to seek some advice on that from a generic perspective.

MS CHESTER: Let's turn to an area that we can all agree to agree on, is that more mitigation is needed.

15 **MR HOFFMAN:** We haven't got the - I joke, there is one, sorry.

MS CHESTER: But getting the balance between mitigation and post-disaster spending is much needed. I guess two key issues around the mitigation that we've had feedback on, including from yourself, is around the quantum and then how it is allocated. On the quantum we've
20 overwhelmingly heard that \$200 million, albeit matched by state/territory jurisdictions, which means \$400 million per annum is still too low. Good to get your feedback on what basis you feel that we could make a case for it to be higher.

25 Then, secondly, I guess on the allocation there is two tranches to that. The first is how to allocate across state and territory jurisdictions, and while we suggested initially on a per capita basis, also knowing that that wasn't too far from what the insurance loss data over the last 30 years told us, what might be a better way to do it on a risk rated basis.

30 Then, thirdly, once the Commonwealth has made its allocation to a state or territory jurisdiction on an annual basis to them, being matched, how best to allocate those to individual projects, and in our report we identified more getting the decision making mechanism and framework
35 right there. So if we could get your feedback on those three issues, Greg, that would be helpful.

MR HOFFMAN: I note your comment about 200 million, and that would be matched. I don't think we know the extent of what work could
40 reasonably be done via mitigation or betterment-type programs. I think our starting point is, well, what are the most vulnerable assets that in fact has had to be restored. If we want to stop that, that is the driver, the assets that are consistently damaged and having to be restored, and that's I think where we start. Then you ask the question, well, what can you do in
45 relation to those most vulnerable assets or the high cost assets in terms of

the system, what can you do to mitigate or provide betterment there, you start to work from the disaster instances, work backwards.

5 The recent construction of levees at Charleville and St George and at Roma are demonstrations that there are vulnerable communities, and it was identified that the levees are going to be beneficial to those communities. So I think you look to that as the starting point.

10 In terms of what it costs, as I said, I don't think, unless we do that and actually start to assess it then we can get a handle on it. It will certainly be more than 200, it would certainly be more than 400 million, when you look at the issue across the nation. We have, in our submission to you, and at our annual conference in Mackay this week, adopted into our policy a scheme reflecting of some previous federal government programs of a
15 40/40/20 split, but with the 40/40 state and federal and 20 to a maximum in local government communities, recognising that depending on what needed to be done, that 20 per cent could well be beyond their capacity and that there would be a requirement for specific issue and location-related determination of the cost share.

20 That's and proposing that it be built around initially 40, on an annual scheme of 40 million from each of the others and potentially 20 million from local government, and that be an ongoing program supporting this process of assessing what the damage and the vulnerability is in working
25 back from that. Now, that, I think, is a starting point to what we would need to do.

I'd question the per capita figure, as we have in our submission, on the basis that it relates to insurance losses. But that is from our perspective,
30 not public assets; a very different matter there. So in light of what I said earlier then, if you look to see where the natural disaster outlays have been, there's your vulnerability, and that's what you want to prevent through mitigation. So that might mean reasonably a somewhat different distribution to simple per capita basis. What are the natural disaster
35 impacts in the more popular states in relation to public assets that you would want to protect from further natural disaster. I guess that's where I would question the concept of per capita distribution.

40 **MS CHESTER:** I think we agree we want to do it on a risk rated basis.

MR HOFFMAN: Yes.

45 **MS CHESTER:** I think the reason we looked at the insurance loss data is it was really the only comprehensive source. But I guess our underlying objective here is it's not just about mitigation for public assets, that would

be very much driven by fiscal cost concerns, we're looking at mitigation in terms of lowering the overall economic costs of the state as a jurisdiction. It's trying to work out what is the best way to then allocate that quantum of money, whatever it is at the end of the day, to reflect the risk rated.
5 Per capita was pretty close to insurance losses, and that was all we had. And we have used the inquiry process to try to - there are some smart scientists and some smart reinsurers that are thinking about this as well, and hopefully we can get some more evidence from them on perhaps a better way of allocating it.

10 **MR HOFFMAN:** I guess my point then is I'd say look to the natural disaster related costs that government has borne and that might be a starting point, in my view.

15 **MS CHESTER:** Yes. I guess the issue there though, Greg, is that's about public assets like roads. We're talking about economic costs across the whole community.

20 **MR HOFFMAN:** Well, the significant public costs relate to - by looking at other states, sadly for Sydney it's been hit by massive hail storms on occasions causing massive damage to private property. And I don't know whether you happened to chance to see a Catalyst story last night on tornado activity in New South Wales?

25 **MS CHESTER:** We were flying back from Townsville

30 **MR HOFFMAN:** Well, iView might help you out there. But it was identifying the vulnerability, in that respect, to storms. You cannot mitigate those situations unless you put in place building regulations that have us all living in concrete bunkers. So if the Commonwealth is looking to save its outlays then what it can do to enable insurance in the private sector is going to respond to those type of problems as opposed to what can be done in the public sector asset space.

35 **MS CHESTER:** Your comment there is a perfect segue into - - -

MR HOFFMAN: Insurance?

40 **MS CHESTER:** - - - land use planning, we'll come back to insurance. You mentioned building regulations. And in our draft report there is a number of recommendations around trying to get greater transparency around land use planning and how that deals with natural disaster risk, how to give councils greater confidence to release data, to make the tough decisions, issues of legal liability that you raised with us very early on in
45 this inquiry.

5 My question there is have we gone far enough with our recommendations around land use planning if our objective is to have that greater transparency and make sure that natural disaster risk is being taken into account, and that councils have got enough support and enough confidence to make those tough decisions.

10 **MR HOFFMAN:** Wholeheartedly support your observations about the importance of that issue, the risk based issues on - natural disaster risk issues in planning. As was identified just before, the floods of 2010 have triggered a significantly increased capacity within government and local government to know the nature of flooding in our communities and therefore what we need to do about it.

15 I am well aware of a number of councils that have responded to that particular mapping as they have sought to renew their planning schemes, and confronted the challenges at a community level when they seek to do that, and therein identify issues for private owners and the implications for their continued use, and ultimate redevelopment and/or on-selling of that property. But that challenge is being taken up by councils, recognising
20 that in the public interests they have to do it.

The other issue is that in relation to coastal management and the issues of climate change or climate variability, whatever you want to call
25 it, it's occurring and the frequency with which cyclones, storms and other weather events are impacting coastlines. There is certainly a need for the ability, at least for councils, to be able to make decisions as they see fit in the public interest, and in the long-term consideration of liability issues. We are in a very difficult predicament in that respect at this very moment,
30 highlighted in our submission to you and our submissions to government, at this time, around the question of natural hazard liability protection from matters as we deal with them; that is yet unresolved.

The other issue related to planning, specifically to provisioning within
35 planning schemes and development assessment matters subsequent to planning schemes being put in place, is indeed a moving feast in fact of recent weeks as to what the state government would permit councils to do, or, for that matter, what it would not allow them to do. I would ask that you look to those matters to see how you assess them in terms of what
40 would be good planning practice, good public policy in certainly the medium to longer term as to what we do.

We, as an association, have invested and will continue to invest
45 considerable resource and time in supporting councils as they look to adaptation strategies around climate change and particularly in relation to

5 coastal management. Because therein lies the most challenging of all of the issues, I mean we love to live by the water, whether it's a coastline or a river. I think local governments and communities are appreciative, broadly, of what needs to be done. We're now confronted by the significant challenges to how we regulate processes around that.

10 **MS CHESTER:** I guess the kind of principles that we were looking at applying there at state planning policies, Greg, were really around articulating the risk appetite, like what natural disaster risk are they comfortable to be embedded in land use planning, how to manage the competing objectives. And then the benchmark issues, and sea rise is a perfect example of, where looking at it on a state basis, there's a view of what sea rise might be, medium to longer term, and how that then should flow through to land use planning decisions at the coalface of your council members.

15 **MR HOFFMAN:** Agree that we would welcome that within your final report.

20 **MS CHESTER:** Are there obvious gaps that you anticipate are going to come out of the current review process where those principles won't be satisfied?

25 **MR HOFFMAN:** Well, as I said, the situation is a volatile one in terms of what government policy is. The current state government removed the mandated 0.8 of a metre plus 10 per cent, and the matter was broadly left to local governments to determine what they wanted to do. Currently, we are in a situation where the state government may well deny councils the ability to do that themselves if they so chose, hence my comment about the situation is very unclear for us.

30 I would encourage you perhaps to seek information in relation to that as to how it might impact the ability to incorporate natural hazard risks in planning processes. Because if, from a statutory sense, that is denied to local government then that raises the questions of, one, our liability, but also, more importantly, the questions of vulnerability. And it's not just our assets in play here it's a broader community issue.

35 **MR COPPEL:** One question which goes back to a comment that you made about changes in funding arrangements at the Commonwealth level feeding through to local governments, and I think this is being fuelled by statements from the Queensland government that there is no capacity for Queensland government to take a greater share. Given your experience over the years, and recognising that the funding arrangements have changed quite frequently over the years in terms of eligibility, in terms of

5 what is included and what is not included, what has been the experience in the past with the state government, vis-à-vis changes in the national rules and arrangements associated with funding for recovery? So to understand has there been a full flow through to local governments or has there been a response or so at the state government based on past experience?

10 **MR HOFFMAN:** I can answer it from a perspective more so of increasing funding as opposed to decreasing funding, with the federal government introducing back in the 1970s the financial assistance support - the financial assistance grants, not by that name, that is its current name, and then, more recently, the Roads to Recovery program, and then the special funding programs at particular times.

15 Our state government has long provided significant financial support to local government for infrastructure funding by way of subsidies for water, sewer, drainage and a number of other programs, particularly around public buildings and public place type programs. That funding has, in the past five years, significantly reduced. Our assessment at one point, about 12 months ago, was that it was around about \$800 million a year in state government funding had been reduced, with different programs being abandoned.

20 That situation has had a major impact on many councils, particularly in the high growth areas, which are south east corner and coastal councils. The prospect of Commonwealth funding being reduced and the transfer of that, or the question of who offsets that being transferred to the state, doesn't fill us with any joy as to what the prospect of the outcome is. The state revenues are significantly constrained; we appreciate that, a situation that is being dealt with in a number of different ways or proposals from the current government as to how they deal with that.

25 So if your question was what do we anticipate would happen then if the Commonwealth was to withdraw funding, I honestly don't see a capacity for the state government to step in to say, right, we'll not have local government likewise have to be adversely impacted by such a change.

MR COPPEL: Okay, thank you.

40 **MS CHESTER:** They are all the questions that we wanted to run through with you this afternoon, Greg. Thank you very much, and thanks for your colleagues for joining you this afternoon. And, again, we do appreciate the association's active involvement and professionalism through our inquiry.

45

MR HOFFMAN: Thank you very much. I will table these documents for you, and we have taken on notice a couple of matters that we'll come back to you as soon as possible.

5 **MS CHESTER:** That will be great. Thank you.

MR COPPEL: Thank you.

MR HOFFMAN: Thanks very much.

10

MS CHESTER: I would now like to welcome Ian Dinham from the Moree Plains Shire Council to join us. Welcome, and thanks for joining us this afternoon. And thank you also for the submission that you have provided us following the release of our draft report. If I could just get you to state your name and the organisation you're representing this

15

MR DINHAM: Thank you very much. It's Ian Dinham, director of engineering services, Moree Plains Shire Council.

20

MS CHESTER: Ian, if you would like to make an opening statement, but appreciate if you could keep it brief.

MR DINHAM: Yes, I understand. I don't mind my time being eaten up with that last one because I agree with everything that was said, that was good information.

25

MS CHESTER: Thank you.

MR DINHAM: Yes, thank you for the opportunity to speak to the Commission. The draft report, in our view, makes some good sense but I'd like to put us forward as an example of what can happen.

30

The natural disaster relief arrangements are important to councils like Moree and others throughout Australia, in our case as one of the largest primary producing shires in Australia, it needs a serviceable road network to transport that produce to market, so it's extremely important for not only Moree but for Australia basically. Anything that inhibits the restoration of that is obviously going to impact on productivity, but also legal liability which I might touch on a little bit later.

35

40

We already have problems in trying to maintain that network without natural disasters. So on top of that situation where we have dirt roads, and 2700 kilometres of them, we've had 11 floods in the last 18 years and the

only reason we have any sort of road network left after those 11 floods is thanks to the natural disaster relief arrangements.

5 Basically, our submission attempts to make a couple of points. The first one, which you have just discussed at length, but the increase in the threshold to 2 million. There are instances where natural disasters are less than that, as you would be aware, and for shires such as ours that would mean that assets would not be restored. Because we have a \$7 million shortfall in our available funds to maintain the network as it is, and further damage obviously is not going to get done, and if it's done or attempted to be done as a band aid solution, that then, as I mentioned before, exposes us to litigation for negligence in not following the proper practice.

15 We would hope that perhaps there would be no impact on local government but perhaps we might be a bit naïve in thinking that. If the states were to give their 50 cents in the dollar and the same amount would come to local councils to fix their assets, that's fine, but basically we suspect that that is going to be a tough one to win and therefore there will be an impact upon councils such as Moree. Therefore it becomes a shifting of responsibility and that is not going to solve the problem.

25 On the mitigation side, I would just like to give some examples. We have mentioned them in our submission, but not only those ones that are mentioned, but overseas, in terms of Japan, the USA, the UK and the Netherlands have invested, literally, billions, and the calculated savings are many fold on that investment and we can sort of give you some figures on that. There was an interesting article on Catalyst not so long ago about what was done in Tokyo and the savings that were made there as a result of that investment in mitigation.

30 We have already seen at Roma and St George the reduction in insurance and premiums, and no doubt those levees will pay for themselves. In every case it is basically proven that that investment pays for itself.

35 How to spend the money if you are investing and how to divvy it up is a good question. I agree with what Greg from LGAQ was just saying, that I personally think and we would suggest that it needs to be where the most damage occurred to prevent that damage happening again. In a per capita distribution, I think perhaps Queensland as a whole for example could be disadvantaged by that, and perhaps some areas of other states could be disadvantaged if it was that simple. So I would advocate what I think LGAQ were saying, that look for where the most damage occurred and how effectively that can be prevented in order to distribute the funding in mitigation.

5 The red tape that surrounds both investment and post-disaster should be looked at. The post-disaster situation first. We can all spend any amount of money in the first 21 days after the declaration, but after 22 days you can spend zero. You need to then assess the damage, calculate the cost, get approval from somebody after due inspection and so on, as you are aware, and that does take months.

10 Perhaps there is room for an interim step between the 21 days where your emergency work is carried out and the final approval to fix everything, perhaps there is a step where, through general agreement aerial inspection, whatever measures there needs to be to come up with a first step so that work can begin. In some cases roads are still under water for some months in some areas, so obviously that is going to make it
15 difficult to assess the damage for some time after.

20 Just to finish with in terms of how much is needed, I know in New South Wales there is \$200 million of outstanding work that is awaiting funding and a lot of that is studies which will lead to further actual hardware. So you would have to think that that would be double in New South Wales and you would have to probably add it on again for Queensland and Victoria and perhaps some areas of Tasmania.

25 One example of the difficulty, how it has manifested itself in Moree is we have over 700 houses that suffer over-floor flooding in a hundred year event. And we have approval for house raising, but as you can imagine, raising three or four houses per year, it's going to take about 200 years to actually achieve the mitigation. So there needs to be a better system of identifying worthwhile projects in terms of future investment. And the
30 five steps that we currently go through in doing studies, forming committees, looking at available options, determining a plan before we can actually do something, is a degree of red tape that we could look at.

35 To finish with, climate change was mentioned. That not just affects coastal councils but inland councils due to the increase in rainfall intensity, and so we're all in this. Thank you very much for your time, and for the opportunity.

40 **MS CHESTER:** Thanks very much for those remarks, Ian. It also helps us to better understand the feedback that you gave us in your submission. I think if we could just turn first to one element of the funding arrangements which does impact directly on local council, and that's the small disaster criterion, what is in and what is out, and in that context you mentioned before that there had been 11 floods in the last 18 years in your
45 shire council region. Do you have a sense, Ian, of any of those events

that, from your perspective, really constituted a natural disaster but the costs wouldn't have involved expenditure greater than somewhere in the order of \$2 million?

5 **MR DINHAM:** There would only be one that would be borderline, all of
them would have qualified under the \$2 million threshold. However, in
the Clarence there were - I can recall I think two storm and tempest events
which were declared because the damage exceeded the \$200,000, as it was
10 then, threshold, and they obviously therefore would not have been eligible
under this criteria. So I suspect that perhaps in tropical climates in
Queensland too, that those sorts of events would be more common than
what they are in the north coast of New South Wales, so there would be
others I suspect that - other than the ones that I have personally
15 experienced. So there would be two in the 10 years that I was with
Maclean Shire, there were two events that wouldn't have qualified if this
arrangement had have been in place.

MS CHESTER: Of those three events, the one from Moree and the two
20 from Maclean, were they natural disaster events that impacted more than
that sort of council jurisdiction, like were there others councils that would
have had damages and costs as well?

MR DINHAM: Yes. In the Maclean example there were neighbouring
25 shires which also suffered, and consequently that helped to get it over the
threshold.

MS CHESTER: Yes. That's a key point, which is why we need to look
at the event based data. It came through in our discussions in Townsville
30 yesterday with a large number of local councils, that there was a bit of a
misunderstanding about whether that criterion would just apply to a
council or whether it applied to an event that may impact across a large
number of councils.

MR DINHAM: In the Moree case I might add it was pretty much over,
35 you know, around the threshold on its own, so I can't give you the figures
for what might have happened in a neighbouring shire.

MS CHESTER: In terms of mitigation or potential mitigation options
40 that are relevant to your council, it's really about flood management and
reducing flood risk to residences, is that right?

MR DINHAM: Yes. Well, that example I gave you is yes, in the urban
area that's a high priority. However, with 2700 kilometres of roads
45 probably 2500 of those are in rural areas outside the realm where you
could build levees and protect them. So the only strategy there would be

more durable road pavements and more causeways and things like that so that the damage doesn't actually happen to the asset, it still goes underwater but it's more durable.

5 **MS CHESTER:** When we were discussing the issue of roads in those sorts of situations, yesterday in Townsville it sort of came up, the issue of, well, what is mitigation versus what is betterment, and what divides the line is really, has the disaster event occurred. In the asset management planning that you do for your shire council, Ian, is there a sense of what
10 assets you view are at risk of future natural disasters and planning for potential betterment in the event that they occur?

MR DINHAM: In our case it's a very large floodplain, all of the shire is floodplain so we aren't able to distinguish really between those that are,
15 they're all at risk. And in terms of our future asset management strategies, we have embarked on that in the last couple of years. And in the last disaster we actually invested some of our own money on top of the natural disaster relief arrangements money to make those causeways better. So we actually have identified some and we have addressed some, and we
20 plan to address some in the future, because natural disaster funding doesn't allow you to do anything other than restore it to its precondition, we've added our own money in some cases.

I hope that answers your question in part, that, yes, we have identified
25 some, we're still in the process of doing that. Asset management is a never ending process and, like everybody, we will continue to review that.

MS CHESTER: It was great you were here before to listen to the discussion we had with Greg and his team, because the issue of trying to
30 deliver greater autonomy to local council, for us, involves moving away from the reimbursement model and being able to make some form of assessment of the damages against benchmark costs earlier on, still allowing time that a reasonable assessment of the damages could be made.

35 Be good to get your thoughts and feedback on the feasibility of applying that sort of arrangement to your shire council and any interactions you have with QRA with the benchmark cost systems that are in place today, which we're getting the impression that Queensland is quite advanced in this area, whether that provides the sort of starting point
40 with some further work as a basis on which to make those assessments and form a view on the benchmark costs that would be appropriate to your shire.

MR DINHAM: I can speak partially with my FMA hat as well as a
45 Moree hat, but in terms of rural and regional councils, in my experience

over in my life, the work is done as efficiently as possible. There is no better way of doing it than what the shire councils do. We don't fear benchmarking at all. We know that we'll measure up to that right across Australia, really, in terms of – it's only the larger city council sort of thing where things are done differently. But in terms of rural and regional councils, we would have no problem with that. The idea of benchmarking is a good one, provided that it's not done for its own sake, provided that it actually gives us, as you say, perhaps an earlier indication of what funding would be approved and some freedom to spend it. The second proviso with that would be that having done an assessment to try to get things moving, as I say, some roads are underwater for three months. So you would need to have an avenue where you could come back and say, "Well, this wasn't identified in the first place."

MS CHESTER: So as we understand at the moment with QRA, there is a system of establishing what are sort of those deemed costs per kilometre of road in your area. Are they today sort of representative of what you think those costs are or is there greater need for adjustment for geographic location?

MR DINHAM: There would be some. I haven't seen the figures. But there would be some need to take into account local circumstances, yes.

MR COPPEL: On benchmark pricing, you're obviously familiar with the use of this approach. Do you have any sense on the frequency with which the benchmark prices would need to be adjusted over time and who would do that to ensure that there's great integrity in the process? Once it's introduced, if it's introduced, the sorts of arrangements that would need to be in place to maintain that going forward.

MR DINHAM: Well, the greedy part of me says let's impose the construction price index every year and adjust it that way. But perhaps it would need a greater degree of refinement than that because after the initial implementation you would need to do some review to see how it was shaping up. So it would need to be a mixture of construction price index and historical records of what was done for what amount of money and by whom, because obviously there's some – there's an opportunity or at least a capacity for one shire to do things differently and more efficiently than another. So you would need to look at past history but also look at it in the light of construction price index.

MR COPPEL: Thank you.

MS CHESTER: Ian, they're all the questions that we wanted to run through with you this afternoon, so thank you very much.

MR DINHAM: No, thank you. Thanks for the opportunity.

5 **MS CHESTER:** I'd now like to welcome Michael Brady from the Toowoomba Regional Council to join us.

CR ANTONIO: I'm the mayor of Toowoomba, so I will go on as well.

10 **MS CHESTER:** That's great. Thank you. Welcome, gentlemen, and thanks for joining us this afternoon. Just at the outset, please let me thank you for your involvement in our Inquiry both through your initial submission before our draft report and then providing us with your feedback and thoughts in a follow-up submission following the release of our draft report. If I could ask you each just to state your name and the
15 organisation you're representing, just for the purposes of the recorded transcript. Then if you'd like to make some brief opening remarks, that would be very welcome.

20 **CR ANTONIO:** I'm Paul Antonio, the mayor of Toowoomba Regional Council and Mike Brady beside me will deal with the technical matters. I'll deal with the broader overview. We pretty much are in keeping with the submissions by the Local Government Association. We were here this morning with Minister Crisafulli and I guess very much in keeping with his ideas. I guess if I can just briefly touch on a few points and I'll hand
25 over to Mike.

We're concerned, from our perspective, in regard to the funding and the proposal to reduce that funding to 50 per cent and to have some other arrangements. When you take into account the fact that we as a council
30 in two floods had a \$200 million hit, there is no way that we could have done what we needed to do without that kind of support. Bearing in mind that when we analyse our books typically in these events there's between 10 and 20 per cent of the final cost that comes back to us – and in our particular case we can verify around about the 13 per cent of those final
35 costs coming our way, despite the funding from external.

We're happy with the day labour thing and I guess we're delighted about the move towards mitigation. We think that's a great idea. The betterment funding that's been coming out of the state government, we are
40 a little bit concerned that maybe the \$200 million a year for all of Australia – we don't think that's enough. We're happy to be in that space and we'd probably suggest to you that if it were to start on 40:40:20 local governments would probably be prepared to be part of that. In saying that, \$200 million is probably not adequate. Worried about insurance and
45 we don't know if there's any viable option there with insurance. We can't

find one. From our perspective, it's good to see some policy reform around planning. If I can just quote an example of what happened in a small town called Oakey. Hadn't been a flood since the '80s, lots of new houses built in places where maybe they shouldn't have been built. But that's given us a lead towards more studies about the flood and what happened and how it happened and also that will inform our planning schemes. I might just hand over to Mike to do a bit of the detail.

MR BRADY: Just further to our submission, what I've just put in front of you just gives probably two particular areas. The first one in there is an example, a very good example, in regards to the value when councils do day labour. That's based on what we see the 2014 event that we've just had earlier this year and the Commonwealth was standing stuck in the concrete on that it's got to be contracted out. That's going to cost the Australian taxpayer in order – this is only a \$5 million job work – about \$1.2 million extra, so about 20 per cent more. And if council decided to do it by day labour, the additional cost to council would be in excess of \$600,000 or thereabouts. So obviously we're in this thing. We'd be somewhat mad to not accept okay, you've got to do it under contract, it's going to save us \$600,000 in our purse. But, at the end of the day, the taxpayers have got to pay an extra \$1.2 million. It just doesn't make any sense.

The other point that we've put forward, it's just a single page there, is the calculation of direct cost contributions by Toowoomba Regional Council over the last few years, since the 2011 events. I think the Commission just needs to understand that councils are putting in a hell of a lot more than the trigger. The trigger is only a start point when councils get involved with flood restoration or any disaster restoration work. Our total, we're seeing there, as noted on that page, over the three years, including the 2014 event, with the other works which were taken which are other mitigation works, are going to be in close to \$34 million out of a total expenditure of nearly \$260 million. Plus, we've got another \$45 million project, which about 50 per cent of its benefit is actually in flood mitigation back to the city. So a hell of a lot of work is going in by the council and with state government support on many of these things as well.

The planning, your section 4, if you can press through a couple of those clear recommendations in regards to injurious affection to be repealed and the other being a statutory exemption for local governments from liability for natural hazard management for reasonably based decision-making actions, if you can get that through the states in Australia, that's going to save a lot of money and it's going to save a lot of the stress. Because we've already got houses going up in floodplains

where, if we could stop them today, we would. So I think it's very important – that policy change is really what's going to help Australia in the long term. I suggest that very strongly.

5 You talked about – again obviously some of the LGAQ and we support their recommendations. The benchmarking you spoke about there. And obviously Moree being south the border of New South Wales, but being an engineer there previously myself and through a couple of floods down there but also up here in Queensland, I've just got to be a
10 little cautious with that benchmark. I think what it's enabled Queensland to do is very good and gives a good guide to going forward. We've got the Great Diving Range, I mean, our eastern friends. So we get some very sharp flash floods and different difficulties there. Down to – and different
15 soils there down to the black soils along the Condamine Floodplain at the start of the Murray system. We've got a wide variant of different – we cover 13,000 square kilometres. We've got 10,000 kilometres for road, of which 3 and a half thousand are sealed, 3 and a half thousand are gravelled, the other 3000 are sort of tracks, more or less.

20 But that sort of variance of topography/geography, where you can get your gravels from, all those sorts of things, how you can mix your gravels, all this to get the right gravels on the road is an art and science in itself. So when you're trying to compare apples and apples across Australia there's not one shoe fits all. I know when I was in Moree we had to cart
25 gravel 50 kilometres-plus. In some of the jobs I do it's under 10 from the gravel pits, but after 25 or 30 kilometres in other areas. So it's being very mindful of that sort of thing when you do do benchmarking. So that's a couple of points there.

30 **MS CHESTER:** Thank you very much for those not just opening remarks but additional comments which give more flavour to the submissions that you've made to us. It's very helpful. Perhaps if we could just turn first to one of the comments that you made with respect to where local councils picking up the tab, you made reference to 10 to 20
35 per cent has come back to the Toowoomba Regional Council based on your calculations. I just kind of want to understand was that because they were non-eligible costs or they were eligible costs but the estimates were different to what was approved by other levels of government?

40 **MR BRADY:** Have you got the second there? It's a single page, probably after that first part of the submission. We've put this in. The LGAQ got a similar table from Western Downs in their submission. So I put one together in the last week to give you an idea of the impact on us. When it comes to disasters that are eligible works, then that's indicated
45 there and that gives you a break down there. Then we go into what we

call non-eligible works/complementary works. As you know, there is always an argument about current-day standards and all these sorts of things when it comes to works. For instance, there's been a fair bit of angst in Queensland over guardrails. Is the guardrail in or is the guardrail out, all these sorts of things as far as on a project and on a bridge or whatever. So when you take a section, okay, we'll pay for the section that was damaged but they're going to pay for the rest of it and this sort of thing. So there's a bit of argy-bargy all the time on little things like that. But that's what adds in to being called non-eligible works.

Complementary works tends to be whilst we're there we're putting our own funds in for betterment or mitigation for the future. So whilst we were there what we're aiming to do is to ensure that that section of road or that section of infrastructure is improved for the future as much as we possibly can.

MS CHESTER: That's helpful, Mike. Thank you. And it supports making up that figure - - -

MR BRADY: And there's a couple of notes down the bottom. The other aspects that we're adding in obviously down the bottom there just to note too is that our council has been extremely proactive across the region and what it's trying to do for the future as far as flooding. That's a lot of detention basins going in in the city, major upgrades to storm water systems, huge amount of flood hazard planning. We've done 35 to 40 studies in the last two years and the early warning systems that we've got now going in for the communities and stuff like that. So one's gone in for the city of Toowoomba and then one's gone in for Oakey just over the other day.

MS CHESTER: Before we get into issues of benchmark pricing and how we could move away from the reimbursement model, it'd just be good to touch on the issue of small disaster criterion. I won't go into detail or repeat the questions because I think you were here earlier on. But were there any events that have affected the Toowoomba Regional Council which by moving the small disaster criteria from \$240 k to \$2 million would have made those events not eligible?

MR BRADY: Not since 2011. Obviously they've been huge events, 2011, 2013, then 2014 about \$5 million event, so it's on the smaller side. Just prior to that, you may be aware that Toowoomba Regional Council was an amalgamation of eight councils into one. So there was seven small councils and the city council. There were events in 2008, '09 – they'd be touch and go, they'd be on the borderline and they were based out in what were probably the smaller council areas, the more pacific locations.

MS CHESTER: If in time to reflect on it there's one or two that you can point to and give us the evidence in the next little while, that would be helpful. That's one of the areas where we're looking to get feedback as to whether that level is right or not. On the issue of mitigation – and I do appreciate, similar to others, you've made the point that you think the funding that we've identified for the Commonwealth which would then be matched by the states, so bringing it up to \$400 million per annum, think it's undercooked. To get a better sense of that it would be good to know what sort of mitigation projects might be relevant to Toowoomba council going forward and how are they planned and assessed for.

MR BRADY: I'll talk about the city because we've done a lot of planning in the last couple of years in regards to the city. We've got a master plan for our flood mitigation improvements for the city of Toowoomba. Council actually started that plan in 1998 and has been on the front foot since. What happened through the 2000s is both state and federal governments dried up what was then some disaster mitigation funding. As the droughts took place across Australia they gave up on flooding, unfortunately. So that slowed down and then what we were able to capture because of the planning that we'd done as a city was the \$25 million in category D funding which has really gone into the – what would have taken another 15 years to put in place to get the key elements of that in place now. And that's our detention basins and other things.

Going forward, we've still got in that plan probably another 30 or 40 million dollars' worth of work. So over time and different road crossings and different things like that that have got to be upgraded – we're trying to get the Warrego Highway through the city of Toowoomba upgraded, James Street at both East and West Creek. That's probably 10 to 15 million dollars' worth of works there, and trying to get the Commonwealth and the state to come on board there. There's a national highway and it's working on the Q2. It's ridiculous that aspect. So there's a program of works.

With the rest of the region, the emphasis as far as betterment or mitigation is particularly on our low-volume roads is obviously when we come into – what normally happens obviously is the causeways and that wash out and those sorts of things. So any new reconstruction work that we're putting in there is obviously, to build it to current-day standards and appropriate standards, not like for like. That's where with complementary and stuff that's very important. So we don't want to put in an old causeway that was built 50 years ago that didn't have any cut-off walls or anything like this. That means that next time a flood comes down if you

did it like for like it gets washed away. So trying to get current-day standards. The same with bridges.

5 I think you've got to understand Australia's got 800,000 kilometres of local road network that's been built over the last 150 years or so. It's not going to take five years and \$200 million a year to make that mitigated. It's going to take a long time. So if we go down the trouble of actually trying to mitigate disaster for Australia's future, I think it's got to be looked at as a long-term program and something that there's substantial investment into over the long term.

15 **MS CHESTER:** You also made reference in your opening remarks and also in your submission to us around land use planning, and we do appreciate your frankness around those comments. You mentioned that there were impediments to effectively stopping houses being built on floodplains. You've linked it to sort of liability issues. It'd be good to better understand what sort of, in substance, is the impediment from council making those tough decisions today on where those houses can be built.

20 **MR BRADY:** I think basically in Queensland – not that I look after planning in our area, but I'm fairly involved as required – it really comes down to Sustainable Planning Act as it's currently written in Queensland and the legislation in Queensland that does enable the person – that if council comes in and says, “You can't build on this land,” and they thought they could, they're basically open to a compensation claim. So when you look at say inner city of Toowoomba or you look at industrial areas and commercial areas, that level of compensation is not just the cost of a house or something, it can be the cost of a business and all those sorts of things. So councils need to be in a position where planning going forward with obviously common sense that it can influence where people do build and that sort of thing. From a long-term perspective, having people not needing to build right on creeks or flood ways is obviously a benefit to all.

35 **MS CHESTER:** If you had a commitment from the state government after the release of our final report to implement those recommendations there'd be an immediate change at the coalface in terms of what you're allowing to occur with building on those floodplains.

40 **MR BRADY:** I think you'd find it fairly quickly. Toowoomba Regional Council as part of the amalgamation had to put a new planning scheme together a couple of years ago. The acceptance of that planning scheme was on the basis that we'd do some further flood studies, which we've done 35 to 40 of them over the last two years. Then, with that, what we'd

5 like to be able to do is influence, through council, areas how they're zoned or how we can un-zone areas as well going forward. So if an area is zoned at the moment residential, we might want to make that un-residential or un-industrial sort of thing, if you can understand what I'm saying.

10 What's going to happen early next year, February/March, we go out to major community consultation on those plans. We're just going through the finalisation of those at the moment. Then in taking that to the community, council would like to be in a position to sort of give some guidance to the community where we're heading as far as this land planning aspects of the strategic planning use aspects are. But that's hindered at the moment because of the Act and we've got to be very cautious in how we put that information out in the public arena and what we say we're going to do with it. Otherwise, it could lead to council being open to a claim.

20 So the next step from that, once that goes through, is that's then going to see amendments to our planning scheme which obviously then also goes up through the state government. But if those changes could happen in the next few months, it would mean that council could take a somewhat different approach to how they go out to the community next year and also then what actual changes in the planning scheme could actually eventuate.

25 **MS CHESTER:** They're all the questions that we were wanting to run through with you this afternoon. Thank you again for – and mayor, for you coming as well; that's very much appreciated. And thanks for your submissions.

30 **MR BRADY:** Thank you.

35 **MS CHESTER:** Ladies and gentlemen, we're due to take a short break to stretch legs and grab some caffeine. I'm conscious we've got an additional person who's requested to be heard this afternoon and people have to get a flight. So if we can do that in 10 minutes and if we could reconvene at 3.25, that'd be much appreciated. Thank you.

40 **ADJOURNED** [1515]

RESUMED [1525]

5 **MS CHESTER:** Ladies and gentlemen, we might try to make a start. Thanks very much, we'll resume our public hearing. I'd like to welcome the National Climate Change Adaptation Research Facility who's joining us this afternoon. If you would just please state your name and the organisation you're representing for the purposes of the transcript.

10 **DR PALUTIKOF:** Yes. I'm Jean Palutikof, I'm the director of the National Climate Change Adaptation Research Facility and I'm based at Griffith University on the Gold Coast.

15 **MS CHESTER:** Jean, thanks very much for being here this afternoon and thank you also for the two submissions that your facility has provided to our Inquiry. We do appreciate your involvement and interest. Would you like to make some brief opening remarks? And I'll underline the word "brief"?

20 **DR PALUTIKOF:** Yes, I'll be as quick as I can. So I don't know how much you know about the National Climate Change Adaptation Research Facility, and to be brief I'll call it NCCARF from now on. We began work in 2008 and our job, essentially, is to deliver useful knowledge to decision-makers to allow them to effectively adapt Australia to climate changes. So just a couple of weeks ago, 16 October, we signed a second funding agreement with the Australian government. That is to work specifically in the coastal zone around sea level rise and storm surge and, in particular, to work with local governments who, at the moment, are finding it very difficult to reconcile the different interest in the coastal zone in the light of expected sea level rise and expected increase in storm surge.

30 The wish of the Minister for the Environment, Greg Hunt, is that NCCARF can support or provide support for local governments in order to allow them to make the right decisions for planning in the coastal zone in the context of climate change. So that's what NCCARF is going to be doing for the next three years. So it's actually very interesting to hear what the gentlemen from Toowoomba have to say in the submission earlier around the concerns about planning decision-making with respect to disasters. So I just wanted to scope out a little bit what NCCARF is doing and then just to say a very few things about the draft report from my perspective, which is from the perspective of climate change.

40 I thought that the second volume of the report did a fantastic job of outlining the literature on climate change risks and how they relate to disaster management and, in particular, the international's work around disasters. But I was disappointed, really, to see the extent, which just did not really transfer through into volume 1 of the report. In particular, with

45

respect to if you're thinking about climate change and disaster as an intersection, then particularly with respect to temperature-related disasters and sea level rise for which we have the greatest certainty, which leads me to say that really it is not possible to ignore them when you're thinking about natural disaster funding.

The risks are different as for temperature it's mainly around heatwaves and, as I said in my submission, more people are killed by heatwaves than they are by floods and by bushfire. But, essentially, they're invisible. They do affect infrastructure. They affect transport, they affect our electricity supply systems, but essentially we tend to ignore them because many of their effects are transient, many of these effects are invisible and because we've almost grown to expect heatwaves to affect us. But what is most certain I think is that heatwaves are going to become more intense and more frequent in the future. And that feeds through into bushfire because temperature, of course, is related to the occurrence and the severity of bushfire. In fact, as I was driving up from the Gold Coast this afternoon the fire-fighters from the periphery area of Adelaide were talking about the bushfire that's affecting them there now and saying how unexpected the severity of the fire is for the time of year and how high the temperatures are and how fierce the winds are, which makes it very difficult to fight.

This is also true for sea level rise, that we have considerable certainty. The timescales are longer. We maybe don't have to think quite so urgently about sea level rise as we do about heatwaves, but nevertheless, the kind of infrastructure that we're trying to install, for example, coastal defences, have very long lifespan. So they need to be designed and planned now to address sea level rise many decades into the future. We need to, as I have said, to provide certainty to local governments in the coastal zone trying to manage risk. They'll make poor financial decisions if they're not supported to manage the competing interests in the coastal zone around planning decisions in the context of sea level rise and storm surge. And this is a job that NCCARF is going to be addressing over the next three years.

Finally, my second submission to the Commission did tread a little bit around the literature. There's quite a lot of literature, I think, that is relevant to the report which isn't covered off. So now there's a growing literature on climate change adaptation that looks at staged decision-making and how you can actually work to program your decision-making so that you make the decisions at the right time with respect to the amount of information that you have available and also with respect to the ability of the community to take on board the decisions that you're having to make. So rather than shocking your community into a state of denial

about climate change and a sense of powerlessness, by staging the decisions that you make you bring them gradually to the table and you bring them gradually to be accepting of the decisions that you're having to make. And that's a growing area of literature around adaptation.

5

I also treaded a little bit about the emphasis of the Commission's report on the work of risk frontiers, which is of a very high standard, which looks at the lack of trend in disaster losses. I wouldn't deny the veracity of that work. I think it's very soundly based. But there also is a literature, as I said in my submission, around detection and attribution related to single extreme events, which brings, I think, a powerful message about how extreme events are evolving in the light of climate change and the risks that are emerging for us down the line. Largely the Commission is silent on this literature and I would encourage the Commission to maybe have a look at it and bring it forward into the report. So that's all that I would like to say, thank you.

MS CHESTER: Thanks very much for those remarks, Jean. It does help us get a better understanding of the facility's views on these issues and what role a better understanding of climate change or climate variability – what role that plays in effective natural disaster risk management. I guess just returning to the point you made about what role that should play in better understanding, I guess, ultimately the liability and exposure that we have to natural disaster risk going forward, looking back historically, from what you're saying, there is a role for identifying climate change in terms of observed disaster events that we've kind of missed in our look at the literature and the work that's been done?

DR PALUTIKOF: Yes, I think far be it for me to tell you where to go, but I guess if it was me and I was sitting in your place, given the fact that the IPCC has now released its fifth assessment report – so it's bang up to date – the working group 2 report has a chapter on observed impacts of climate change which might be a place to go to to have a look to see what it has to say about trends and disasters, because it will doubtless treat on that subject.

MS CHESTER: That would suggest to us, if we look back historically, that we should be materially attributing something to climate change or is it just an emerging factor in these outlier events?

40

DR PALUTIKOF: It's an emerging factor. So what I have been speaking to you about really is planning for the future and what I've been saying is that really I think heatwaves are disasters that are beginning to affect us now in terms of – I mean, the quality of the event is not going to change. It's the frequency and the severity of events that we already

45

experience. Unless we move, for example, with bushfire and with heatwaves to better prepare ourselves for those events, inevitably, because they happen more often and are more severe, our losses will begin to rise. I think for events around which we have certainty, i.e. heat-related events and sea level rise, I think it's undeniable.

MS CHESTER: If we're focusing in a forward-looking sense, which is probably key to our report as well for government, around the funding arrangements, we talk about the issue of understanding the exposure, vulnerability and effectively the liability to the funding arrangement and how that should be provisioned for so governments start to make the tough decisions now. If we were to look around globally or even around Australia, is there any agent out there at the moment, whether it be a reinsurer or another government, that's doing that forward looking and embedding climate change and other risk factors into exposure to natural disaster risk?

DR PALUTIKOF: So reinsurance companies, both within Australia and globally, are the agents of change very often because of course they carry the risk that insurance companies offload onto them, as you well know. So big companies like Swiss Re insurance and Munich Re insurance have been alert to the risks from climate change for, I would say, a couple of decades now. But in Australia probably the most active reinsurance company is Willis Re insurance.

MS CHESTER: So if governments were looking to get a better handle on what these future risks are and the liability that it brings home to them and, hopefully, that helps them to make better policy decisions today, they could look to those agents to provide them with that sort of technical capability and expertise?

DR PALUTIKOF: Yes, I think I might want the opportunity to come back on that because essentially both reinsurance and insurance companies have a profit motive. That's what they do. It is the society we live in. So do I expect their advice to be entirely objective? I think I would also seek also for advice from elsewhere as well. Where would I go for that? Because of the background I come from, I would probably begin with people working in the climatic research area as well. I would also talk to John McAneney at Risk Frontiers. So I'd be seeking a balanced view. But yes, I would certainly think that the reinsurance companies would be a good place to start.

MS CHESTER: Then in terms of embedding that knowledge in terms of that risk factor contributing to natural disaster risk going forward, coming

back to the points that you were making earlier and in your submission around land use planning, what's kind of missing in the equation there?

5 **DR PALUTIKOF:** For local governments and NRM managers and so forth, do you mean?

10 **MS CHESTER:** I guess the sense that we get from our Inquiry, Jean, is that the architecture of land use planning terms of the overall risk appetite and the dos and don'ts at a high level that is set by states with their state planning policies. I guess it's what role should climate change be playing in terms of embedding into their future understanding of planning for those risks.

15 **DR PALUTIKOF:** Well, as you know, the states and territories, if you looked at that sort of five years ago, were giving much more certainty to local governments around incorporating sea level rise information into their planning decisions and now they have tended to remove that certainty so that local governments in particular are feeling very exposed, I think, to legal liability and uncertain as to how they can make decisions and what freedom they have to restrict development close to the coast because of the risks that are beginning to emerge. So I think local governments do feel very challenged in this space.

20 **MS CHESTER:** Apart from sea level rise, are there other sort of benchmarks or parameters that would be embedded in those policies that capture managing for the impact of climate change on those natural disaster risks going forward or is sea level rise the main one?

25 **DR PALUTIKOF:** The two that I put forward were temperature-related extremes; heatwaves and bushfire and sea level rise. The reason I did that is because of the high level of certainty that we have around where they're going. We don't have the same level of certainty for most of Australia around rainfall-related events. The only place where we do have that certainty, really, is in south-western Australia where, for example, the water resource managers have moved very strongly towards essentially climate-proofing the water supply because of the considerable degree of certainty they have around the reduction in the available resource. But outside of south-western Australia, we don't have that certainty.

30
35
40 We also don't have that level of certainty around windstorm and what will happen, for example, with tropical cyclones. So it then, from my perspective, becomes quite hard to see how you would do anything other than try to make neutral decisions around changes in extreme events but decisions which would increase your resilience; so, essentially, win-win

decision-making and no regrets or, as they say now, few regrets, low regrets.

5 **MR COPPEL:** In the draft report we have a number of specific recommendations that relate to land use planning and one of them does talk about providing at the state level better benchmarks and guidance on natural disaster risks. The other relates to providing the greater ability for councils to take decisions relating to land use planning with confidence and better certainty that the decisions they take are ones which may not be
10 challenged legally and expose them to those sorts of risks. Do you have any views on those particular recommendations? Do you think they are sensible recommendations and do you think they go far enough in terms of meeting the sorts of considerations that you've outlined?

15 **DR PALUTIKOF:** I think they're very sensible. I do think they go some distance towards answering my concerns because it's not only local governments who have to deal with these risks and it's not only the government that has to deal with these risks, also the private sector. Above state governments, it's the federal government as well, and the
20 report reflects on this. Speaking to somebody from the Sunshine Coast councils just the other week, he said to me that they had felt with the change in the guidance that they had received from the Queensland government around sea level rise they have felt quite exposed in their decision-making process. So they have moved to take legal advice. The
25 legal advice that they were given was that they had to act in the light of the best possible knowledge that was available to them. If they did that, then even if they were taken to court they really should not have any difficulty, not that anybody wants to be taken to court, and it's costly anyway. But, nevertheless, if they were taken to court, they should be
30 successful.

So that gave him the sense that he was able to go ahead and incorporate sea level rise information into his decision-making because that's part and parcel of the best possible knowledge. So I found that
35 quite encouraging. But, of course, there are many who perhaps would contest that. And you can imagine that the legal case might take many, many months, even years, to work its way through.

40 **MR COPPEL:** If I could ask a second question. You made the point that there's been great advances in terms of information relating to natural disaster risk exposure. Are you aware of any significant information gaps that hinder effective disaster risk management?

DR PALUTIKOF: From a climatological perspective now are you asking me, which is really the only sort of perspective that I could take because that's what my skill base is.

5 **MR COPPEL:** Well, climate risks that are of such an extent that they represent a natural disaster.

10 **DR PALUTIKOF:** So Peter Stott, who's done a lot of the work on detection and attribution in a very recent paper that he wrote, he said that really what we need is a national observing system. So the process of
15 detection and attribution of extreme events is actually a very painstaking one. What he was saying is you need some kind of in-operational system that can quickly and effectively evaluate an extreme event as to whether or not some part of it is attributable to climate change. That, to me, seemed
20 like a very logical next step because at the moment some extremes are evaluated, some are not. So then you get a sort of looking under the lamppost phenomenon, that people look at the worse extremes and manage to find some climate signal in it but there's a whole bunch of other extremes out there that are never looked at because they may be a little bit less severe that may or may not have a climate signal. So maybe we're only looking at the positives and not looking at the negatives. If you had an operational system in place, you'd be able to take a much more objective approach that would get away from this risk of just looking under the lamppost. So I think that would be a very positive next step.

25 **MR COPPEL:** To understand, that would be a way of trying to identify the source of a climate factor?

30 **DR PALUTIKOF:** What it would mean is that next time we have a heatwave in Australia the Bureau of Meteorology, as a matter of course, evaluates it to determine the extent to which we are able to attribute some part of it to climate change. They would do that for every heatwave that we experience, every flood, every cyclone. It would just become a part of their operational business.

35 **MR COPPEL:** Maybe it's the same question, but to what extent would this information be able to inform natural disaster risk management where you don't necessarily need to know the source or the attribution or the different factors to a particular extreme event?

40 **DR PALUTIKOF:** It seems to me that even if you have an event which causes no damage because it happens in a place where nobody lives or nobody with large resources lives. Nevertheless, it's telling us something about what we may face in the future. So it's the accumulation of
45 evidence that's going to bring us to the point where we are accepting of

the reality of climate change and we begin to take steps to deal with it. That kind of operational system to detect an attribute would be part of that accumulation of evidence. You asked whether it would tell us about disaster losses. No, it can't do that, except that it can warn you that in
5 future your losses inevitably are going to be worse if you can show that a part of these events is due to climate change.

MR COPPEL: Thank you.

10 **MS CHESTER:** Thanks, Jean, they're all the questions we had for you and we do appreciate your feedback on what other sources we should be looking at to make sure we get it right in our final report.

15 **DR PALUTIKOF:** Thank you for the opportunity to come here today and I do say I did find the report very interesting and a useful resource. So, thank you.

20 **MS CHESTER:** Thank you. Excellent. I'd now like to call the Reconstruction Inspectorate to join us. Good afternoon and welcome. Let me just first say thank you very much for the meetings that we've had with your team in Canberra and the submission to our Inquiry. It's been much appreciated. We know that you're very much at the coalface of the natural disaster funding arrangements and the level of prescription that's crept into the equation. If I could just ask you to first state your name and
25 organisation that you're representing just for the purposes of the recorded transcript. Then if you'd like to make some brief opening remarks, but if you could limit them to under five minutes, that would be appreciated.

30 **MR ALBRECHT:** Thank you. My name is Martin Albrecht. I guess I serve on the inspectorate. I'm basically self-employed and have various diverse corporate interests. I guess a distinguishing feature is I happen to be a civil engineer in a project that was overwhelmingly related to civil engineering construction and I was the only one who was in that regard. So I think, hopefully, I served a worthwhile purpose in being involved
35 with this journey. I'm absolutely delighted. Do you need any further details about – or can I make - - -

40 **MS CHESTER:** No, if the other gentleman is planning on speaking, just give - - -

MR WICKS: Greg Wicks, I'm the secretariat for the inspectorate.

45 **MS CHESTER:** Great. Thank you very much. Martin, thanks, if you'd like to make some opening remarks.

MR ALBRECHT: Yes, I'd be delighted to have that opportunity. I guess just putting that in some context, at the beginning of the venture we were invited to get a debrief from Brad Orgill from the Building Education Revolution. I guess it was a case of lessons learned out of that
5 that they were prepared to share with us. I would make the comment that it's our desire at the conclusion of our term that we will, equally, submit to the Prime Minister some lessons learned out of our journey so that they can be meaningful there for the advantage of any future activities. I think that's very important and I think there are some worthwhile valid
10 conclusions that we can share in that regard as well.

Perhaps just picking up on that note, the education review that Brad Orgill chaired really focused on time, cost and quality as the key issues to verify or validate an effectiveness of the funds that had been expended in
15 that program. It was very apparent to us from a very early stage that for us to do justice to our task and our remit we had to add geography. If you think back to that time in 2010, I think there was something like 80 per cent of the state was covered with floods. Clearly there was a wide distribution of effect from those floods. So if we didn't take the
20 geography – the consideration of where this occurred, the remoteness and all of the other challenges, we clearly would not be doing justice to the task that was entrusted to us.

I believe that the result of all of this, there is justification for a
25 proposed recalibration of funding to give greater incentive. I think the desire for mitigation aligns with the key lessons learned from our experience in Victoria and Queensland here. The Commonwealth obviously has spent some extremely substantial sum of money, probably bigger than anything else in the history of our nation. I think it's
30 important to recognise right from the outset that most of those funds were really spent to restore public assets and particularly roads and associated structures. It wasn't a complex engineering task in that regard. There were very basic businesses of establishing and re-establishing good access and the viability of those important elements for local communities. So
35 it's not a task in complexity of engineering so much as just recognising the fact that, overwhelmingly, the work related to damaged roads and associated structures.

As noted in its submission, the inspectorate considers that the current
40 funding arrangements are in some ways a disincentive to the states and territories and local governments to invest strategically in mitigation of disaster rather than just the restoration. We believe that the real goal was clearly to have a financial safety net for the states rather than to have them dependent on repeated occurrences and funding to meet those situations. I
45 think we recognise that the NDRRA matters for the Australian

Government and we support strategic change to the arrangements to achieve greater value for money from public funding and greater accountability for funding recipients and highly resilient public assets and communities.

5

The timeliness of that response is critical. If you carry this out over a lengthy period of time, it diminishes the ability for communities to get re-established in a timely way. I think in that regard, any recommended model should allow responsible jurisdictions to make decisions about resource application in that timely way. It's very difficult to make that from Canberra when you've got a shire up in Cook or something like that. There are peculiarities to the local situation and the more we separate the people who've got the capacity and the best insight to make those activities, the more we diminish the timeliness and the responsive best-value solutions that can be achieved. That was very graphically illustrated in some of the work that we noticed up there on a visit.

I think, equally, it's appropriate to notice that benchmark costs are going to vary significantly across all of the different areas in which this occurs. One size certainly doesn't fit all. What might be appropriate down in Brisbane doesn't necessarily apply in some area way out in the country. I believe in recognising that the task wasn't only to ensure good stewardship and time cost and quality, but that we should also be focussed on the geographical locations in which these events have occurred. It puts in context the importance of day labour, and when you consider something remote from anywhere else, to think that somebody can come in from down south or a foreign or an imported contractor could actually deliver value for money without recognising the unique capacity of a local government is a terrible misrepresentation of the opportunity for the most timely and value for money solution.

I say that very much in the sort of context when we went down to Victoria, for instance, when a local government has control of a quarry that's in closest proximity to where some reconstruction activity has to take place. Any comparative from somebody external to that local government, in that case the visit that we saw - a contractor from elsewhere would have to import that material for about 400 or 500 per cent of the cost of what the local government would supply it. So it requires a different level of innovative thinking as to not so much trying to have a benchmark price against the local government, but rather to think how can you help that local government perhaps by importing a temporary crusher which exceeds what they normally have for their use because the event possibly has created the 400 or 500 per cent explosion on their annual normal expenditure. But you can mitigate their effectiveness, or

lack of effectiveness, by thinking a little bit more laterally on these issues and not really just looking at a cookie cutter that suits all situations.

5 This also illustrates the fact that for the local governments the importance of having regard for the communities, the local governments in those remote areas are a source of employment for people through their - and it's important in that sort of reconstruction effort if those people employed by the local governments or local councils can have continuity through participating in reconstruction activities. You provide stability
10 for those local communities as well. So I think I will come back to that later on as far as betterment and insurance. But I don't think you can under-estimate for remote areas the importance of having an open mind about employment of day labour in some of these reconstruction activities. I think they're a vital part of the overall solution.

15 Betterment was not initially seen by councils and local government as of great importance, but there is no doubt as the journey unfolded more and more of them started to recognise the value. If you had a culvert that completely was washed out two or three times, if you increased the pipe
20 size there was an infinite capacity to go and mitigate against future occurrences under similar circumstances. And I think is also an important thing both from a point of view of making sure that the government continues to fund some amount of money for betterment, and I strongly endorse the idea that that should be on an equal basis between the state
25 and the federal government.

I think you've had representation today from Mr Crisafulli. I commend him for his very vocal and very staunch support of the idea of betterment at the time when that was first initiated. Many people said,
30 "Oh look, \$80 million that's a drop in the ocean. That's a cynical exercise." But the reality is that's been quite transformational in thinking of local governments and there is really a desire now to own this idea, that look if we've had an event let's think about what we can do to make sure that we don't have a recurrence of it. And betterment plays a part, and I
35 would strongly endorse anything that the federal government and the state governments combine in strengthening that fund to perhaps similar amounts for a period of five or ten years so that you build it up to some greater value so that you can actually use it in a very discrete and beneficial way on future events.

40 Equally the emergent works is another area that I would like to draw attention to. Without a doubt in a sense it's a contradiction that emergent works are things that are done very quickly after an event and the strict adherence to process and procurement procedures is obviously set aside.
45 But I would like to make the strongest possible encouragement not only to

maintain the idea of emergent works but perhaps even increase the percentage of the total event that can be covered by emergent works. Nothing illustrates that more graphically than in Queensland after the main flood when over two weekends I think there were over 30,000
5 people that took to the streets in gangs with brooms and buckets and backhoes and loaders and everything else. I have no doubt that that work if it had been done under a normal procurement process of firstly calling for expressions of interest and comparative tenders and all the rest of it, you would have paid orders of magnitude more than what was achieved in
10 that sort of event. And we should never lose sight that Australia is made of people who have got a “can do” attitude, not just the premier of the state, that are willing to get in there and help their fellow citizens when the need is there.

15 I really believe that it is also something which differentiates us from other places around the world. If you look at events in America I think their recovery time was far longer. It was many months after, for instance, before the electricity might have been switched on to areas but to have the streets clean of debris and access across those roads has a very powerful
20 uplifting effect on people, and it’s the timeliness of it that really counts.

My recommendation, and it will certainly be part of the lessons learnt in my opinion, is that there could be more thought given to the idea that the emergent funds, that there’s an incentive that the quicker you do that
25 work the better percentage that you might be able to attract through that. If you said, for instance, that 25 per cent of the total cost could be for emergent works, that there’s a sliding scale. If you’re still doing emergent works six months after the event that it’s not 25 per cent any more, it’s only 15 per cent or something like that that would be eligible in that way.
30 I think that’s very important.

I would add another element to that. If something has been washed away or you know that for it not to occur again that there needs to be some betterment, my recommendation would be that you tie some portion of
35 betterment that could be automatically available to councils or people concerned. And I think Brisbane City in that regard - the leadership in Brisbane City was exemplary in that non-return valves and certain other activities in cleaning out exceeded what they had automatically a right to expect that would be compensated, but they took that decision because
40 they knew that if another event occurred in a short period of time the city was better equipped to handle that. So I think there is a linkage between emergent works and betterment that should be recognised, and some more modest percentage, maybe 10 per cent of the emergent works could be available for betterment, that people can do those things which they know

instinctively are the right things but that you respond to those very quickly.

5 I probably have one final concluding comment. When we went up to visit some of the local councils up north, one in particular, I think it was the Ayr Council, illustrated the fact that they had 17,000 ratepayers but the task of road infrastructure in their shire was something like 1,700 or 1,500 kilometres and the capacity to feel that they could really stand behind insuring their work out of their ratepayers was going to be very daunting.
10 My strong recommendation is that - and again it will be something I hope to illustrate in the lessons learnt - but if local government had a pool of funds, and similar to the betterment, that perhaps the state and federal government provided some initial capital into a reinsurance fund that's administered by local government, that you could drive a greater sense of ownership for individual areas to be concerned about the adequacy of the insurance that they cover for particular events. It's really very much an embryonic thought and work in progress, but I really think that there's some real value in every regard that we drive back ownership for the recovery of an event as much as you can close to the local people that are affected. And I think the combination of betterment and insurance would really go a long way to strengthening that process where people really feel they are empowered and have ownership.

25 Thank you for an over long introductory dissertation, but it's a privilege to come here and talk to you and for my part I feel very honoured that I've had the chance to serve in that way. As I do for anything that I do for local or state or federal governments I do not charge for my time. I see that as a contribution that I can make as a person who has been enriched in his life's journey and has some experience to offer.
30 But I've enjoyed it and I sleep very easy at night.

35 We don't have an NBN situation or a building education or a pink batts or an insulation story. I think overall the stewardship and administration of the federal taxpayers' funds has been very wisely administered in this program and the main thing is to learn lessons that we minimise having a continuation of these sorts of inspectorates in the same way as what this one was confronted with at the time when we took this task on.

40 **MR COPPEL:** Thank you.

MS CHESTER: Martin, thank you very much and I'm happy that you've run over because it's good to get your insights. You are very experienced and inspectorates are lucky to get wise souls like yourself and John Fahey
45 and others involved in the work in this area. I had a couple of quick

questions just to follow up on. Firstly, you mentioned - and I'm not surprised that you'll be sharing lessons learned with the Prime Minister - is there a time frame around those lessons learned being penned and would we be able to see a copy some time?

5

MR ALBRECHT: I guess there was a desire from our Chairman at first to see that we flicked that in before you came with your final report. I think this is a labour of love for people like me and I will take strong interest in that. I think the reality is it will probably be more towards the middle of next year. I am absolutely focussed and dedicated to personal redundancy. I don't want to see myself going past the middle of next year, and I would see - I'd be feeling totally remiss if we didn't get something in the way of a report, Greg, and the head of the secretariat hopefully will come and visit. I'm not sure you'll get any time out of me before Christmas, but certainly very early in the New Year that we really proceed. It's been in our mind, but to formalise that and present it maybe there might be an earlier interpretive draft copy that can come through earlier but I don't want to over-commit and indicate something that personally I would find very difficult to accomplish in time.

20

MS CHESTER: No, that's okay and hopefully from the comments you have been able to share with us today, coupled with the inspectorate's submission to our report, we should have what we need from you to help inform our thinking so we can get our final report to government as well informed as possible, and hopefully we get the policy road map a little more sensible.

25

In your comments you rightly touch on the issue of getting autonomy back down to the local council level and what's the best way to spend the recovery funding money, and in our draft report we talk about how we think local council and state governments can earn that autonomy, how we can move away from the current model of very onerous, prescriptive oversight from Canberra, day labour, betterment issues, all those constraints that are being imposed on local council when they're spending that money. From our perspective we thought central, moving away from that model was moving away from the reimbursement model and getting some estimates up front within a reasonable time frame so then Canberra can say, "Here's your 50 cents or 75 cents in the dollar. You go forward and spend it the best way you think." I take it from some of your comments you think that's feasible as long as we get around the issue of geographic differences for what would be reasonable benchmark costs or deemed costs once an assessment of damages is made?

30

35

40

MR ALBRECHT: Well, there's two overarching observations I would make. I think to maintain a 75/25 split is outrageous. I know state people

45

and people in government in Queensland and in Victoria fight ferociously to think that they can justify morally that it should stay at 75/25. I'm a proud taxpayer and a proud citizen of the state and I hold no empathy for that at all. I think the more there can be a 50/50 split you will nip in the bud a lot of efforts to optimise the advantage that people can get out of the current situation. They cry moral indignation that this somehow is the big policeman from the federal government trying to chisel down their entitlements. I don't hold anything of that.

10 We as an inspectorate have always zealously held to the view we should never be a disruption to the flow of the work being executed. That would have been morally absolutely unforgiveable if we did that so we've never tried to interpose that. But for states to be given money well in advance of what they ever need it, and some of it probably up to two years in advance, is equally not good business. Absolutely not good business. Now, maybe there were federal budget reasons for making those sorts of advances but I don't hold it as valuable in actually providing a proper timely response from people in the execution of that work.

20 What did happen at times, we were literally as an inspectorate - it's highly commended that the chairman was always very much in favour of as well getting out and visiting areas where the work was actually being executed and talking to people - there were times when we were looking at things after it was executed with no prior understanding of how that work was initially conceived or planned and that isn't good as well. The inspectorate is to provide a sobering voice, just to say, "Well look, have you considered this?" or to provide some sort of background, then you have to have a more timely way in which you become aware. So I've staunchly agreed budgets must be prepared and prepared quickly. Whatever errors there are they can be lived with, and as long as there's a justification to the logic of how they were arrived at in the first place. But if you don't have an early budget nobody has got an idea as to where you should really be focussing your attention.

35 I think some other point I was going to make - it will probably come back to me - but I don't in any way hold to the view that you can't come to some better sort of, more efficient way of getting dispersals to where they are needed in a more timely way.

40 **MR COPPEL:** I just wanted to pick up on the point that you noted was an embryonic idea, this notion of an insurance fund. And we've heard that local governments do insure public buildings so I'm wondering whether you have any further thoughts on what this fund, how this fund would be organised, what it would help insure - presumably roads. If you have any further thoughts on that that would be beneficial.

MR ALBRECHT: Primarily those areas of infrastructure like roads and bridges and things that fall outside of, you know, the defined building scope. Not unlike the areas that you are looking at with betterment. You don't look for betterment on a building as such, it's more you know the public infrastructure areas. And I think it's basically to be again that safety net for things that fall outside of the area that are readily defined and, you know, that can be insured. I think it was very heartening to see that - I think it's Chinchilla, is it, or one of the western towns where they've now built a levee and that is certainly going to mitigate against repeats of the floods of the past and give a better level of premium that can be obtained now for the residences and things that fall behind that. I'm really looking at something where there's insurance for the roads in an area and structures associated of that nature. That really does need to be worked through to get some better definition of what the scope of that is, but I'm just mindful of the sort of feedback that we got on our visit for people like Ayr. They just shrugged their shoulders. We've only got 17,000 people, you know, how can we provide any insurance for our infrastructure?

I think if there's a notional valuation put on that infrastructure as assets then surely there's also a capacity to work out some sort of notional insurance provision that might be there. But it should be handled through local government so that you drive back that idea that the local people themselves feel a sense of ownership and stewardship, that those funds are not just indiscriminately distributed for things that shouldn't be there. You can be very transparent then with all the local governments. They all come together. You can benchmark them against each other for the way in which they seek access for some sort of coverage in that regard.

MR COPPEL: Thank you.

MS CHESTER: Thank you very much. They're all the questions that we had for you this afternoon so. Martin and Greg, thank you both for being able to join us and, Martin, for sharing your insights with us. It's much appreciated.

MR ALBRECHT: It's a pleasure, and I really can only comment that we do have a Productivity Commission. There are other areas of interest on my part that I believe should also come under scrutiny of a Productivity Commission. If that is handled appropriately I think we are all the better for it, that some indiscriminate expenditures are minimised in the future, so I commend you.

MS CHESTER: You can put those in your note to the PM, thanks.

MR ALBRECHT: Thank you.

5 **MS CHESTER:** Ladies and gentlemen, that concludes today's scheduled proceedings. For the record is there anyone else who wants to appear today before the Commission? If you would like to just come up to the table and state your name and the organisation that you are representing?

10 **MR MATTHEWS:** Hi, my name is Adam Matthews. I do work in the local government sector and have worked in delivery of some of the NDRRA flood restoration works, but I'll be making my comments today as an individual. First of all I - - -

15 **MS CHESTER:** I'm sorry, I just need to say if you can keep your comments relatively brief, under five minutes?

MR MATTHEWS: Yes, will do.

20 **MS CHESTER:** Thank you.

MR MATTHEWS: I've got one page of notes so I'll try to be brief.

MS CHESTER: Thanks Adam, much appreciated.

25 **MR MATTHEWS:** First of all I'd like to say the draft report is excellent, but I believe it relies on one significant unstated, and I believe misleading, assumption. Let's start with the positives, in particular the section on risk establishes sound principles for public policy in relation to the user pays principle. Costs should be borne first by the risk creator,
30 then by the beneficiary. It is sound policy and I commend the Commission for the work in that area. But the draft report contains an implicit assumption in relation to the application of this principle that results in a misapplication of the principle. That is, the draft report assumes that the risk creator and beneficiary is in order of responsibility
35 the asset owner or the local government in their role in creating planning regulations, or the state government as I guess a final pool of responsibility. Essentially the asset owner has created the risk by building in the path of the natural disaster. Secondly, the asset owner is the beneficiary of the asset.

40
45 That's fair enough in most cases, however the application of these sound principles goes astray in relation to climate change and in particular the impact of climate change on existing legacy assets and communities. Climate change is a new class of risk that now impacts legacy assets. In relation to climate change it is more accurate to take the view that the risk

creator is the nation as a whole, or possibly the globe as a whole, and the federal government represents us and makes decisions in that area. The beneficiary is the nation as a whole that has benefitted from the carbon intensive economy. The effects of treating the asset owner or local government as the risk creator and beneficiary is climate change exposed communities will disproportionately bear the cost of climate change on behalf of the nation as a whole. This applies to both individual local governments as well as at the level of state governments that are more exposed such as Queensland. The cynic might say that the position of the federal government appears to be climate change isn't real, but to the extent that it has impact someone else can pay for it. A reduction of federal funding from 75 to 50 per cent lends weight to this cynical view.

Sound climate change policy requires that we tease out the base load natural disaster risk from the additional climate change risk. Sound policy as detailed in the report dictates that the federal government should fund 100 per cent of this risk, being the representatives of the economy as a whole which is both the risk creator and the beneficiary. So 50/50 funding for base load risk is fine, but climate change should be funded 100 per cent by the federal government, or the impacts of climate change.

Others have talked about the mitigation fund proposed in the draft report, indicating that the value of \$200 million is inadequate and also the distribution of that fund on a per capita basis is not a sound policy and needs to be allocated on a risk basis. Teasing out a climate change risk from the base load risk provides the conceptual framework for assessing the appropriate quantum of mitigation funding as well as the appropriate risk basis for allocation of funds. What this points to is a recommendation that is driven by the policy principles for sharing risk that have been detailed in the draft report which is in terms of quantification of risk an assessment should be undertaken of the impact of climate change on the increase in natural disaster risk and exposure of existing assets. And the representative from the - who spoke earlier about the IPCC report - has indicated that there's some basis for doing that and some signs that provides a framework for doing that.

This assessment should inform the quantum of funds contributed by the federal government in the form of a mitigation fund. It's likely that there is not currently sufficient information to comprehensively quantify this increased risk at this stage, but I note that the calculation doesn't necessarily need to be undertaken in a single round immediately. The quantification can be ongoing. It can be an ongoing project over some years.

5 It is arguable that this climate change cost should not be funded from
the existing GST pool as it reflects a new risk beyond the base load
natural disaster risk to underpin the previous natural disaster funding
arrangements and their agreement. The quantification of risk informs the
contingent liability of the federal government whereas actual project
funding should be made on the basis of cost benefit analysis, ideally on
the basis that it reduces the total contingent liability. The Commission has
stated today that the proposed changes to the funding arrangements are not
about cost shifting but rather about driving better policy response. My
10 suggested policy will more properly allocate the costs of climate change to
the level of government that is best placed to develop policies that respond
to the challenges of climate change. In particular, the federal government
is best placed to make decisions on the relative merits of funding
mitigation or adaptation versus addressing the cause of climate change
15 through national policy or international agreements.

MS CHESTER: Thank you, Adam. Thank you for asking to appear. I
will ask you later what font size you used on that one page. On that note I
adjourn these proceedings and this concludes the Commission's public
20 hearings for natural disaster funding arrangements. Thank you everyone
for being here. Thanks, Adam.

MR MATTHEWS: Thank you.

25

ADJOURNED

[4.22 pm]