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QFF MEMBERS

CANEGROWERS

Cotton Australia

Growcom

Nursery & Garden
Industry Queensland

Qld Chicken Growers
Association

Qld Dairyfarmers'
Organisation

**ASSOCIATE
MEMBERS**

Queensland Chicken
Meat Council

Flower Association of
Queensland Inc.

Pork Queensland Inc.

Queensland United
Egg Producers Ltd

Pioneer Valley Water
Co-operative Limited

Central Downs
Irrigators Limited

Burdekin River
Irrigators Area
Committee

Emerging Primary
Industries Groups

- Australian Organic
- Queensland
Aquaculture
Industries
Federation

PRODUCTIVITY COMMISSION INQUIRY INTO NATURAL DISASTER FUNDING ARRANGEMENTS

The Queensland Farmers' Federation (QFF) collectively represents primary producers in Queensland's intensive agriculture industries: sugarcane, cotton, horticulture, dairy, nursery, chicken meat, flowers, eggs and pork. We also represent local irrigator groups and emerging industry groups such as organics and aquaculture. QFF engages in a range of economic, social, environmental and regional issues of strategic importance to the growth, profitability and sustainability of the sector.

QFF's role in natural disaster management

Queensland's agricultural production systems and supply chain partners are often exposed to natural disasters and these are managed using a variety of risk management techniques that usually serve the sector well. However, natural disasters can overwhelm even the best managed farms and agribusinesses, impacting on agricultural systems through the loss of livestock, crops and produce; damage to infrastructure, equipment and buildings; damage to standing crops; and erosion of land and waterways. Like other sectors of the economy, agriculture can also be impacted by the loss of electricity supply and communication services; and community infrastructure particularly transport infrastructure.

However, different disasters impact differently. In fact one of the challenges of early response to a natural disaster impacting on intensive agriculture industries is to identify the extent and intensity of impact since it will differ between locales and production systems. Many of the impacts of natural disaster on agriculture are not well understood and their importance can be underplayed since they may not be immediately obvious or newsworthy. This issue is exacerbated by the fact that management of natural disaster related impacts for agriculture is spread across a number of Australian and Queensland government portfolios – emergency response, health and human services, transport and infrastructure, agriculture and economic development, and environmental management.

As agriculture continues to intensify, become more reliant on mechanisation and supply chains are more integrated, the impact of natural disasters is likely to increase.

QFF has been involved in the management of a number of severe natural disasters including Cyclones Larry (2006) and Yasi (2011), the 2011 Queensland floods, flooding associated with Cyclone Oswald (2013) and long term drought¹. Our role in these events

¹ QFF acknowledges that the definition of natural disaster assumed by the Commission does not include drought. However, QFF applies an 'all weather-related hazards' approach to natural disaster management.

has been to bridge the ongoing gap in government services needed to facilitate the rapid and sustained recovery of farms and small businesses. This type of assistance is supported by research from the Regional Australia Institute² which concluded that business recovery is central to community recovery and enables broader economic recovery in disaster affected areas.

However, our experiences with these disasters has clearly shown that farm and business recovery from extreme events is never even and is always complicated by other influences that determine the success or otherwise of business recovery efforts. Based on our experience over the past decade which has seen variable recovery, QFF now sees high value in advocating for resilience planning specific to farming and agribusiness. We have initiated a project in partnership with the Queensland Department of Agriculture, Fisheries and Forestry (DAFFQ) to undertake foundational work which will lead to improved disaster resilience planning as part of business planning more broadly.

QFF's Submission

QFF supports this Inquiry especially given the opportunity it provides to improve the effectiveness and efficiency of natural disaster mitigation, resilience and recovery initiatives. Given the timeframe of this stage of the Inquiry it is not possible for QFF to fully canvas its members on specific issues they may have experienced with natural disaster management, nor have we the resources to compile and analyse data from each of the recent events where Natural Disaster Relief and Recovery Arrangements (NDRRA) have been activated. However, by September when the draft report is scheduled for release, more comprehensive data may be available to us all and more informed assessment and comment on the “effectiveness, efficiency and sustainability” of disaster funding arrangements can be made.

QFF acknowledges that the main focus of this Inquiry is the effectiveness and sustainability of Australia's natural disaster *funding arrangements* (our emphasis) and as such is beyond the scope of our expertise. The information in Box 2 of the Issues Paper detailing previous reviews clearly shows this is about intergovernmental arrangements. But in so far as the Commission has also identified that natural disaster risks and the management and funding of responses to them, do impact living standards and overall community wellbeing, the QFF group of members is keen to participate and provide advice developed directly from recent natural disasters. In making this submission QFF hopes to provide the Commission with some insight on the impact disaster funding arrangements have on agriculture and agribusiness, and hopes to further contribute information at a later time during the Inquiry process.

This submission addresses in general some of the issues raised through the Commission's Issues Paper (May 2014). Specific responses are also provided to a number of relevant questions posed in the paper.

Disaster costs

It is widely acknowledged that natural disasters pose direct risks to people and property and create consequent disruption costs. It is also accepted that these are difficult to

² Regional Australia Institute. 2013. *From Disaster to Renewal: The Centrality of Business Recovery to Community Resilience*. Final Report. Canberra.

measure which is why data sets such as Risk Frontier's PerilAUS have been developed. The Commission has also identified two other broad measures that identify costs associated with natural disaster events, namely insurance costs (insured value of property damaged), these amounting to \$13.3 billion in the period 2007 to 2013, and Australian Government NDRRA payments, these being forecast to be \$11.6 billion in the period 2011 to 2016. These are of course underestimates of the total costs, but are sufficiently large to warrant the attention of this Inquiry.

What are the costs of natural disasters in Australia?

This is the first question raised in this Inquiry and we will leave the answer to experts such as those involved with the National Partnership Agreement on Natural Disaster Resilience (NPANDR) who compile the annual natural disaster risk assessments such as this one <http://disaster.qld.gov.au/Disaster-Resources/SWNHRA.html>

To the extent that we all know such measures underestimate the actual cost in terms of dollars and wellbeing, QFF notes that the efforts of farmers and business owners who 'self insure' and volunteers who help with relief and recovery make an unmeasured contribution to restoring and rebuilding damaged property and infrastructure following extreme natural disasters. For primary producers self-insurance takes the form of commercial insurance products (although the availability of products at or below the 'optimal' level of expenditure as described on p.5 is limited or non-existent for some agricultural commodities), use of the Farm Management Deposits scheme, debt management, investing off-farm income and simply absorbing the costs. The hours of 'work' farmers and other community members volunteer is likely to dwarf that of professional service providers deployed when natural disasters occur.

As to the question of reliable projections of the incidence and impacts of future natural disasters, QFF cautions that climate change projections at present lack sufficient precision to be useful in this regard. We do know that increased population densities and infrastructure investment means there will be greater damage risk into the future unless we do spend more on preparation, mitigation and amelioration activities. This is highlighted in the most recent available *Queensland Natural Disaster Risk Assessment* (2012).

Disaster management response

Generally, emergency and disaster management responses in Australia have become professional and highly regarded by the community. They are guided by State Disaster Relief Arrangements and NDRRA which are well documented, if not well known outside the ranks of those professional service providers involved. It is also widely acknowledged that such management practices are continually improving. As an industry regularly dependent on such services, agriculture and agribusiness participants are generally supportive of this approach. As with any service that has no commercial market discipline, we welcome this Inquiry as a means of providing some direction for 'value for money' benchmarking and guiding service providers towards best practice.

The Commission refers to this as a 'principles-based approach' and we see value in the framework identified in Figure 1 of the issues paper because it shows the trade-offs available within disaster management activities. However, the discussion of current

arrangements, especially as they evolved from 1974 to the current (2012) *NDRRA Determination*, appears incomplete. Given that the introduction of different NDRRA Categories (A to D) is a relatively recent development it would be helpful to have more data on the expenditures across those categories over time so that the community can assess whether or not the priorities remain appropriate.

Most of the questions raised by the Commission in this section of the paper (pp.12-13) are public finance matters, but as an industry 'user' of these public services QFF will be happy to offer further comment when more complete data is available. For instance we suggest that the 2010-11 data for Queensland is probably not representative given it 'misses' most of the NDRRA activities that followed Cyclone Yasi and the 2011 Queensland floods.

What are the policy objectives of NDRRA? Have these changed over time? Are current arrangements consistent with the achievement of these objectives?

QFF believes it is timely to thoroughly review the objectives of NDRRA because of the changes that have occurred over time, not just to funding but also the programs and activities that are activated for each event. For instance, in 2010 QFF made the following observations when responding to a request from Emergency Management Queensland on the effectiveness or otherwise of government arrangements and services triggered by extreme weather events:

"In general, in the farming community and in regional towns there is widespread misunderstanding about who makes decisions (and how) on what constitutes an extreme weather event and escalates it to an NDRRA event. This is unsurprising because natural disasters are of their nature *ad hoc* in their impacts. However, QFF is of the view that Queensland has a sufficiently variable climate with many extreme weather events annually that the process for declaring natural disasters should be better coordinated and known by stakeholders.

That said, since NDRRA came into being in 2006 with Cyclone Larry (previously being NDRAs with the focus on immediate *relief* rather than subsequent *recovery*), there has been an added dimension of confusion in that there has emerged a 'scale' of NDRRA each year where the range of services available to farmers or citizens can vary depending on the severity of the event (often arbitrarily described to those impacted). While there may be some sound reasons to have this flexibility in the system, there is a downside of public confusion and uncertainty that can escalate to high levels of stress, anger and depression if individuals or groups feel unsupported in their hour of need. This is more the case for floods than storms or cyclones because flood catastrophes in inland Queensland are often cumulative events rather than a one-off weather event. Thus care and sensitivity are required in developing appropriate recovery responses to floods."

In the three and a half years since then 'scope creep' has added further complexity and confusion to the state and national categories of assistance that are or may be triggered by 'rapid onset events'. More assistance schemes are logical if research justifies them,

but a greater effort is needed to clarify and communicate categories of assistance to the public. While Queensland may have its greatest focus on just two types of natural disasters, namely flooding and cyclones (accounting for 95 per cent of fatalities and 72 per cent of building damage), we acknowledge there are other forms of natural disasters. To manage these QFF believes that state and national approaches should align with and be driven by best practice across the activities identified in Figure 2. In this way we can clarify what is sought by NDRRA and how those arrangements can best deliver to help citizens in disaster zones prepare for and recover from disasters. This review covers the broader responses of mitigation and resilience and this is appropriate in our view since an over-emphasis on emergency and relief has almost certainly limited the effectiveness of government(s) responses in the past.

Australian government, state, territory and local government payments to individuals

The Commission has identified a bewildering set of arrangements that can be triggered by natural disasters for individuals or groups (households, small businesses, primary producers, voluntary organisations) “adversely affected by a major disaster”. Even the standard program, the Australian Government Disaster Recovery Payment (AGDRP) and the Disaster Recovery Allowance (DRA) are apparently triggered with different definitions and variations in eligibility criteria, depending on the event. [AGDRP being the \$1,000/\$400 non means-tested cash payment and DRA the 13-week New Start Allowance that replaced the Disaster Income Recovery Subsidy in 2013.]

QFF suggests that more comprehensive data than that provided in Table 1 would help the discussion, especially since QFF and others have suggested previously that DRA may be most applicable in some disasters, especially if the emergency requires people to leave the disaster stricken region, but not in others where employees should be encouraged to stay and help businesses and the community recover. Experience with Cyclone Larry and Yasi demonstrated a strong case for a Wage Assistance Scheme (WAS) as a better instrument for ‘industry recovery’.

How effective are natural disaster relief and recovery measures relating to individuals, businesses, primary producers and voluntary organisations? Are these arrangements targeted sufficiently closely to those in the greatest need?

For Queensland, based on the limited information available to QFF at present (notwithstanding the Commission’s data request in Box 5) we can only provide a limited response based on our role in recent NDRRA events, the most recent of which was the Cyclone Oswald response (2013). Preliminary data provided to QFF by QRAA indicates that more than 5,500 farmers and small businesses received \$85 million in grants (Category C), and 125 concessional loans totalling about \$26 million were approved for recovery activities for that event.

This compares to preliminary QRAA data for the 2011 Queensland Floods that showed more than 11,100 farmers and small businesses received over \$152 million in grants, and 314 concessional loans totalling about \$72 million were approved for that ‘event’ (in reality there were multiple events in multiple locations).

Cyclone Yasi (also 2011) was one of the biggest and most destructive tropical cyclones to impact Queensland. During the Yasi recovery period almost 4,000 farmers and small businesses received about \$53 million in grants and 130 concessional loans for \$35 million were approved.

There were a number of other weather-related NDRRA events between 2008 and 2010 in Queensland and about \$55 million was provided in grant form to about 5,500 farmers and small businesses to help them recover from the damage caused by those events.

For Cyclone Larry (2006), QRAA data is combined in its annual report so the figures are not exactly comparable with subsequent NDRRA events, but about 640 farmers and small businesses successfully applied for about \$120 million under the grant/concessional loan scheme that was introduced for the first time during the recovery period for that event.

While these expenditures may seem large it is important to reflect on how extremely damaging each of the events were and the scope and scale of the recovery efforts to get farms and small businesses back to functioning levels in the aftermath. Additionally, there were considerable auxiliary support across government services and the above expenditures do not account in any way for the full amount of the call on state and national Treasuries during the emergency and recovery periods. Nor do these figures incorporate the efforts by impacted industries themselves to build paths to recovery.

Whether or not such expenditures “target those with the greatest need” there is little publicly available information to provide a meaningful assessment. The business grants/loans scheme assists recovery by speeding up the process of rebuilding production and business capacity and it follows that this assists the community at large to recover. Australian Government cash payments put cash into the economy of the impacted community which likewise probably boosts economic activity. However, in our view, the effectiveness of these programs in achieving NDRRA objectives requires further research.

Finally, on the question of “targeting those with greatest need”, QFF is of the view that the whole mechanism for “triggering” state and NDRRA categories of assistance is in need of overhaul because of the complexity that has crept in with each successive disaster. An overarching principle for disaster management should be similar to that of emergency management, namely roles, responsibilities and processes are clearly defined and well known to all stakeholders. In particular, activation and duration of activation for categories of assistance need to be well defined and understood, and only changed if evidence suggests a better way.

We make these suggestions in good faith, because as far as we know there is not a structured mechanism for industry groups to participate in the annual cycle of natural disaster risk assessment and the development of an implementation plan. Given that industry mitigation and recovery should be an integral part of natural disaster management, and this shortcoming should be corrected.

Preparedness

How well are natural disaster mitigation and recovery coordinated across governments and agencies?

What progress has Queensland made in implementing the recommendations of past inquiries relating to natural disasters?

QFF has only had limited exposure to implementation of the NPANDR and therefore can only observe that stronger industry engagement is required. As QFF progresses with the project we have initiated with DAFFQ to develop foundational work that will improve disaster resilience planning we expect we will be actively engaged in appropriate resilience planning. We think there is a strong case for planning specific to other industries that are often severely impacted by natural disasters, especially those involved in transport and processing. This undoubtedly does occur in informal arrangements but a structured approach seems more sensible now.

This is also important to the insurance industry as is clearly articulated in the paper. The discussion and questions about adequate insurance for public and private assets, 'moral' and 'charity' hazard and the NDRRA *Determination* (2012) that assistance not interfere with self-help and mitigation activities are all pertinent to agriculture and agribusiness. The QFF assessment to date is that stronger industry engagement with the government planners and service providers will help achieve not just betterment but also effective, sustainable and coherent natural disaster preparedness, response and resilience.

Industry is at one with government in seeking continuous improvement of emergency management strategies including disaster preparedness and evacuation planning, land use planning and building standards that will help to reduce future damages and losses from natural disasters.

Roles and Responsibilities

The crux of this submission is that natural disaster management in Australia needs improvement to ensure both the private and public sector deliver improved community wellbeing and value for money. State and national disaster management departments need to clarify objectives and align services and activities. As a priority a single 'point of truth' website needs to be determined and systemically used for pre, during and post natural disaster management.

Governments also need to engage more formally with industry to ensure both emergency and disaster management planning and services aim for best practice in all phases.

QFF looks forward to providing further submission to this important Inquiry in the future.

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