

Tablelands Regional Council

Submission to the Inquiry into Natural Disaster Funding Issues Paper

Productivity Commission

May 2014

Natural Disaster Funding Arrangements
Productivity Commission
LB2 Collins Street East
Melbourne Victoria 8003

Dear Sir / Madam,

**Response to the Federal Government's Productivity Commission Issues
Paper Natural Disaster Funding Arrangements May 2014**

Please find below Tablelands Regional Council's response to the Commission Issues Paper concerning Natural Disaster Funding Arrangements May 2014.

Policy Objectives:

The Policy objectives of the National Disaster Relief and Recovery Arrangements (NDRRA) should simply be to assist communities return to normal as quickly as possible after a disaster event. Achieving this requires actions to be taken by all levels of Government before, during and after disaster events. The current eligibility criteria have been effective in facilitating disaster events, but as always there is room for improvement.

The Council believes that priority should be given to restoring the local business community (restore cash flows within the region), restoring habitation for local residents (so they do not leave the area) and restoring essential public infrastructure.

NDRRA Eligibility Criteria:

The eligibility criteria has progressively tightened up over recent years. It now restricts payment to only core asset restoration which is diligently enforced by the Queensland Reconstruction Authority (QRA). For instance, restoration of parks is now not eligible and collection of domestic green waste from residents is now not eligible unless it prevents safe access to their homes. As a result, Council's fund a larger portion of the costs under the Counter Disaster and Emergent Works phase of the response. For instance for Cyclone Ita, Council's Counter Disaster claim will only be approximately \$30,000 with its Emergent Response claim being approximately \$100,000. The remaining works have been funded by Council.

Some of the costs currently funded by Local Governments include indirect and overhead costs (internal administration, finance, and human resources), preparation of NDRRA submissions, damage to parks, sporting and recreational facilities, damage to water and sewage infrastructure. Council cannot fund additional disaster management expenses. It is struggling to meet its current obligations.

NDRRA Payment Threshold Levels:

Tablelands Regional Council believes the current threshold levels are appropriate. Council's simply do not have the revenue generating capacity of the State and Federal Governments. If additional costs were pushed down to the Local Government level, Council's simply would not be able to restore infrastructure in a timely fashion. It would take years for essential public assets to be repaired. There seems to be an entrenched belief that Local Governments abuse the system. With the current level of oversight and the level of auditing that occurs, it simply is not possible for Local Governments to abuse the system. With the removal of the Water and Waste Capital Grants and the freezing of the FAG grants, Council's are struggling to provide basic services let alone fund a significant disaster response. Hence it is the opinion of the Tablelands Regional Council that the current funding arrangements remain as is. The Productivity Commission Paper talks about the sustainability of the Federal Government, but it does not consider the sustainability of State and Local Governments. Further shifting of costs to the Local Government level is not sustainable. For instance, Tablelands Regional Council's depreciation figure and hence annual capital budget for drainage and transportation assets is currently only \$3.7 million. To impose a multi-million dollar disaster response cost onto Local Governments would break them.

Disaster Resilience / Flood Mitigation Grants:

There is a need to consider funding models which focus more on prevention and preparedness as opposed to response and recovery. Governments need to move beyond the current approach of throwing money at disasters after they have occurred, towards a new paradigm where ongoing funding is directed toward programs, which focus on disaster prevention, preparation and resilience at a Local Government level. Over time, this shift will reduce the need for major intervention by State and Federal Governments because infrastructure will be more resilient, communities will be better prepared and more resilient and therefore fewer resources will be required for the recovery phase.

The TRC also believes that flood mitigation grant allocations need to be significantly increased and that they should be extended to cover projects that will mitigate against repeated damage occurring in the same location. The applicants should have to demonstrate to the Federal Government that the project would ultimately save money using a Net Present Worth analysis. The emphasis of these grants should be to improve community resilience.

Tablelands Regional Council would like to see the State and Federal Governments commit to funding programs that allow Local Governments to undertake community resilience projects to reduce the impact of subsequent disaster events.

Betterment Projects:

Similarly to the comments above, Council supports the expansion of the current betterment program. Council would be willing to contribute to repairs that reduce the likelihood of repeated damage occurring in the same location.

The TRC believes the current betterment program needs to be extended. The current program is very limited and difficult to access in a timely fashion. Extension of this program would initially increase restoration costs, but in the long term, it should reduce the cost of subsequent programs. Extension of the betterment program would also make more sense to the community who cannot understand why roads are repeatedly fixed only to be damaged again because the additional funds required to upgrade the infrastructure are not available. The betterment program can be limited to drainage and road infrastructure and should work in closely with the extended flood mitigation grants mentioned above.

The Federal Government needs to consider upgrading critical infrastructure in the prevention phase and betterment phases. There is no point just building back to current engineering standards. The majority of NDRRA funding is spent on roads infrastructure which needs to be made more resilient to prevent repeated damage. The point needs to be made concerning the cost effectiveness of the current limited betterment funding. There needs to be a stronger focus on betterment and less on bringing all restoration works up to 'current engineering standards'. Turning roads into outback highways may not solve the ongoing damage to causeway crossings for instance. There is an argument for looking at assets and asking the question, does it need to be bought up to current standards or could it be held at current or lesser standard in relation to its location, with funding being focused on resilience to limit repeated damage.

The NDRRA Emergent Period:

The TRC believes that the current emergent period of 60 days needs to be extended to 90 days. In the rural setting, it takes time for flood waters to recede, time for inspectors to assess the damage and verify that it is eligible damage and then mobilize crews to undertake the required repairs. A 90 day period would allow time for the entire network to be inspected and for works to be completed. The current system of taking photos of the damage on each road even in the emergent period would prevent abuse of the system. This extension would greatly assist rapid repair of essential assets and reduce the community recovery period.

Use of Council Day Labour:

The Federal Government should also give consideration to allowing Council's to use their own day-labour resources in undertaking NDRRA works. The current arrangement where contractors must be used is not sustainable for the

community. In rural areas it results in an influx of contractors who swell in numbers as the program gets underway and then leave as the program finishes. They take their learning's and their staff with them. If Council is able to use its own day labour staff, these people and learning's would remain in the community. The local road workers also have experience in working with the local gravels and working with the local weather patterns. Allowing Council's to use their own day-labour in the rural setting would also go some way to supporting the State and Federal Government initiatives to see more people living in the regions. Tablelands Regional Council is currently downsizing its workforce due to cuts in State and Federal Government Grants. Being able to use day-labour resources on NDRRA would go a long way to reversing this trend.

Traditionally Council have sized their outside road work force to undertake Council's road and drainage maintenance, NDRRA works, State Government Road Maintenance Performance Contracts (RMPC) and the occasional State Government local construction project. With the State Government reducing RMPC expenditure and the Federal Government not allowing day-labour to undertake NDRRA works, Local Governments are being forced to reduce the size of their outside work force. This in turn reduces the Council's capacity to respond to future disaster events. If this trend continues, Council's ability to respond quickly to disaster events will be limited. This trend is also leading to higher unemployment in the region which is already higher than the State average.

Community Grants:

There needs to be a review of the Government's cash grants that were provided to individuals after recent disaster events. These programs need to be delivered in such a way that they do not create a reliance on them. There also needs to be consideration of imposing restrictions to ensure these funds are spent appropriately. Council recognises that these cash injections create a well needed stimulus to the local business community and this is appreciated. However further thought needs to be given on how these funds are managed.

Insurance:

An investigation into home insurance and private insurance of businesses in Far North Queensland is required. There are areas now where home owners cannot get home insurance and where it can be obtained, it is just too expensive. As a result a larger number of homes in the Far North are now uninsured. If this trend continues, there will be increasing pressure on Governments to assist these home owners which will in turn make the response less sustainable and encourage others to stop obtaining insurance. The current insurance system is too expensive, too slow to respond and is abused by some. The time taken to complete the repairs is excessive, the quality of the repairs are not always adequate and the cost / benefits questionable.

Tablelands Regional Council does insure its building assets. However this insurance premium is increasing dramatically and may result in Council reducing its coverage. Council will need to consider a premium with a higher excess and a reduced coverage.

Tablelands Regional Council is not in a financial position to insure its road and drainage assets. It is not even clear if Council could obtain such insurance and if it could it would not be able to fund the premium.

Regional Economic Impact:

Tablelands Regional Council is a rural agricultural region. The local farmers are dependent on a good road and drainage network to get their produce to market. Hence this infrastructure needs to be restored to a trafficable condition as soon as possible. If this cannot be achieved the community will reduce its economic production which in turn impacts the region's broader economy.

NDRRA Auditing:

Tablelands Regional Council believes the current level of auditing undertaken on NDRRA submissions is excessive and in itself a waste of funds. The current excessive auditing criteria is generating business opportunities for local consultants that spend many hours preparing submissions and then many hours being audited (consultants are used as they are eligible under the NDRRA guidelines to reimbursement). This time and these funds would be better spent actually improving community infrastructure. It would be interesting to see an estimate of the costs spent on auditing recent events compared to actually undertaking repairs.

Local Government's Contribution to Disaster Management:

Tablelands Regional Council contributes significantly to disaster management within its region. To enable it to comply with the requirements of the Queensland Disaster Management Act, Council employs a full time Disaster Management Officer and a further officer on a fixed term contract. These officers coordinate and attend the local disaster management group meetings, prepare the required plans as well as community disaster plans and then are the front line response when a disaster occurs. All of these costs are covered by Council. In addition to these costs, Council officers undertake annual fuel reduction fires in accordance with its fire management plan, it cleans out its drainage structures prior to the wet season, it ensures its staff are trained and equipped prior to the cyclone season to restore community infrastructure as quickly as possible.

Council's also provide support, equipment and facilities to the local SES and Rural Fire Brigades. All of these costs are covered by Council and it needs to be recognised that Council is not in a position to manage additional costs being passed down from the State and Federal Government levels.

Developing Northern Australia Policy:

Maintaining a functional National Disaster Management System is essential if Australia is to meet the aims as expressed in the above document.

Conclusion:

Local Governments are not in a position to carry more of the financial impost of disaster events. If the Federal Government cuts back on its contribution to the NDRRA program, it will have a significant negative impact on local communities which would not be able to recover in a timely fashion from a disaster event