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13 June 2014

Natural Disaster Funding Arrangements
Productivity Commission
LB2 Collins Street
MELBOURNE VIC 8003

To Whom It May Concern

RE: Submission to the Public Enquiry into Natural Disaster Funding Arrangements

Wagga Wagga City Council (WWCC) supports the Productivity Commission's Inquiry into the effectiveness and sustainability of Australia's natural disaster funding arrangements and appreciates the opportunity to make a submission to the Commission's issues paper.

By virtue of its location on a large sweeping bend of the Murrumbidgee River, the City of Wagga Wagga is very vulnerable to Riverine flooding. The City, which has a population in excess of 63,000, has been threatened and impacted by major floods on numerous occasions and has been very active in trying to achieve a balance between flood mitigation and the cost of recovery from major flood events.

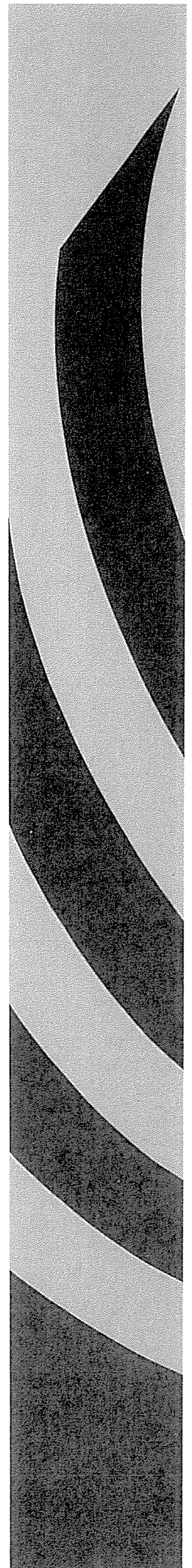
WWCC continues to be very reliant on the financial assistance available through the NSW Government's Floodplain Management Program to manage flood risk and in recent years has also been very dependent on the Australian Government's Natural Disaster Relief and Recovery Arrangements (NDRRA) to recover from major flood events.

Based on its own experiences, WWCC strongly supports the need to review the balance between natural disaster recovery and mitigation and the financial assistance made available at the Local Government level for disaster mitigation, resilience and recovery.

Current Natural Disaster Relief and Recovery Arrangements

WWCC was impacted by major multiple floods in 2010 and 2012 that caused significant damage across the Local Government Area (LGA). The largest of these floods, which occurred in March 2012, resulted in the inundation of the Village of North Wagga Wagga and the evacuation of an estimated 7,000 persons from the Central Business District of Wagga Wagga.

These floods caused considerable damage to both private property and essential public infrastructure including local roads, bridges and flood mitigation



infrastructure. The floods were an extremely distressing time for not only the directly impacted communities, but for the entire LGA as vital services provided by the Wagga Wagga Central Business District were unavailable during the period of evacuation.

Following the 2010 and 2012 flood events, accessing financial assistance for disaster response and recovery under the NDRRA proved to be very convoluted and restrictive. The ability of WWCC and the community to recover from these flood events was compromised by these complexities, which included:

- Processes for making claims for financial assistance through the respective NSW State Government agencies for the restoration of essential local public infrastructure which included detailed on-site assessments and data collection, on-site audits and inspections were unnecessarily arduous and complicated.
- The NSW State Government agencies administering the NDRRA were not adequately resourced to undertake on-site inspections and process the claims in a timely manner. This contributed to delays in approving the claims and being able to proceed with the recovery works.
- The financial assistance provided to WWCC through the NSW State Government agencies did not cover the cost to return damaged public infrastructure to pre-flood condition. Council officers were forced into negotiations with the State agencies to agree on reduced amounts of financial assistance, shifting the cost for recovery back onto the local community.
- The documentation for making claims through the NSW State Government agencies lacked detail and clarity requiring significant rework and renegotiation which further delayed the endorsement and commencement of restoration works. The NSW State Government agencies documentation did not link to asset management systems, requiring Council to double handle asset data to fit with State agency documentation.
- The documentation provided by the NSW State Government agencies did not include any information on betterment or that financial assistance for betterment may be available under the NDRRA.
- The time taken by the NSW State Government agencies to process and approve claims significantly delayed the commencement of restoration works and in some cases forced WWCC to undertake critical temporary works at its own risk, not knowing if the claim for financial assistance was going to be approved.
- Delays in the commencement of restoration works resulting from holdups in approving the claims for financial assistance impacted on the capacity

of WWCC to complete the works within the required timeframes and also made delivery more difficult due to further deterioration being experienced in the affected infrastructure in the time since the event occurred.

Further to the above, financial assistance made available through the NSW State Government agencies under the NDRRA, did not allow for the restoration of assets to a more disaster resilient standard to assist in better protecting them from being repeatedly damaged or destroyed by subsequent flood events. In some cases this has resulted in a higher financial burden on WWCC, the community and the Australian Government for the restoration or replacement of a number of essential assets that were repeatedly damaged or destroyed by the multiple flood events. In the absence of any changes to Natural Disaster Funding Arrangements, this waste of public monies will continue.

Given the predicted impacts of climate change for more intense and frequent extreme climatic conditions, it is critical that when restoring or replacing vulnerable essential public assets that value for money is achieved by building resilience into these assets. This will ensure they are better protected to withstand these predicted more frequent extreme climatic conditions.

Consideration should also be given to improving the systems and processes for making claims under the NDRRA through the relevant NSW State Government agencies. An improved set of guidelines and a more collaborative approach is required to ensure that Local Government and the community it represents, is afforded every opportunity to recover from natural disasters as quickly and effectively as possible.

National Partnership Agreement on Natural Disaster Resilience

A portion of the financial assistance available to the NSW State Government through the National Partnership Agreement on Natural Disaster Resilience (NPANDR) is allocated to addressing flood risks through the NSW Floodplain Management Program which is administered by the Office of Environment and Heritage (OEH).

The primary objective of this program is to support the implementation of the NSW Flood Prone Land Policy which aims to reduce the impacts of flooding and flood liability on communities and to reduce private and public losses resulting from floods, using ecologically positive methods wherever possible.

WWCC has been working very closely with OEH and other relevant stakeholders on managing flood risk across the LGA in line with the floodplain risk management process. However the financial assistance offered under the program which is usually based on \$2 for every \$1 provided by Local Government is very limited.

WWCC is very reliant on the financial assistance available under the Floodplain Management Program to deliver its levee bank upgrade project. The levee upgrade project is required to address the short comings in the current levels of flood protection offered by the existing Main City and North Wagga Levee systems which has resulted in the community and region being unnecessarily vulnerable to flooding. The deficiencies identified in the levee systems are also impacting on the prosperity and growth of the City. Land values, property development and the ability to obtain competitively priced property insurance have all been negatively impacted by the deficiencies in the current levels of flood protection afforded to the City.

WWCC commends the NSW Floodplain Management Program and has been very fortunate so far, to be able to obtain financial assistance through the program for the planning stages to upgrade the Main City levee to a 1 in 100 year level of flood protection and the North Wagga Levee to a 1 in 20 level of flood protection.

However, given that there is limited funding currently available through the program WWCC is very concerned that the financial assistance required (approximately \$18.8m) for the construction phase of the levee upgrade project will only be trickle fed over multiple years. These limitations will result in the community remaining unnecessarily vulnerable to flooding for an extended period if sufficient additional funding isn't made more readily available through the program.

Accordingly, WWCC strongly argues that additional financial assistance needs to be made available at the Local Government level for mitigation and resilience activities to assist in ensuring the community is afforded a reasonable level of protection from flooding.

Roles and responsibilities for risk management

As the authority responsible for local land use planning and management, Local Government plays a major role in managing risk and is generally accountable for the implementation and maintenance of local disaster risk mitigation activities, such as flood mitigation works.

Managing major flood risk would not be possible without the assistance of the Commonwealth and State Governments. However, as referred to earlier in this submission the capacity of WWCC to undertake substantial flood mitigation and resilience activities such as the proposed levee upgrade project are very reliant on the financial assistance made available by the Commonwealth and State Governments.

The multiple flood events in 2010 and 2012 highlighted the imbalance between the financial assistance available for resilience (NPANDR) compared to the financial assistance available for recovery (NDRRA). WWCC are concerned that this imbalance may be discouraging the State Government and by default

Local Government, from building resilience into its infrastructure as the Australian Government will pick up the tab for a large proportion of recovery works.

This in turn may result in a poor risk management outcome as the State and Local Government are able to shift more of the costs to the Commonwealth for restoration works in comparison to mitigation works.

In regard to betterment it could be argued that the NSW State agencies administering the NDRRA almost encouraged poor risk management by not promoting opportunities for betterment.

Getting the balance right between mitigation resilience and recovery

WWCC strongly supports the need to correct the balance between mitigation, resilience, recovery and insurance, however it also recognises the difficulties in achieving this balance with so many variables in play.

Due to the variable factors and unpredictability that influence disaster management across different communities the balance needs to be flexible and take into account local influences, environment, conditions and circumstances on a community by community basis. For example the balance between mitigation, resilience and recovery may be very different for a regional inland community compared to that of coastal or highland communities.

Based on the experiences of WWCC the imbalance between the financial assistance for resilience and recovery is significant and if more money were spent on resilience the spend on recovery should reduce overtime.

Furthermore, the effectiveness of restoration works could be significantly improved if the opportunity to increase resilience and mitigate against the impact of future events was provided whilst undertaking restoration works as mobilisation costs to undertake the additional works have already been incurred.

Modifications to the current arrangements

The net spend on natural disaster funding by the Australian Government should not decrease, but the focus should be shifted to correct the imbalance between mitigation, resilience and recovery. Any reduction in recovery funding should be matched or bettered by an increase in the spend on mitigation and resilience.

The proposal to reduce Commonwealth contribution towards recovery from 75% to 25-33% as referred to on page 28 of the Productivity Commission's issues paper is alarming and represents a blatant cost shift towards State and Local Government and ultimately the community who are less able to afford it.

The issues paper seems principally focused on minimising Commonwealth exposure and would benefit from giving more consideration to improving disaster recovery and building resilience. As referred to earlier in this submission, there are significant opportunities available to improve the effectiveness and efficiency of the current natural disaster funding arrangements that deserve further consideration by the Commission.

Regarding insurance of essential public assets, the disaster funding arrangements in their current form provide no incentive for either State or Local Governments to insure essential public assets and the cost to insure their non-commercial assets such as roads and bridges is likely to be beyond the financial capacity of both forms of Government.

A form of self insurance may be an option for essential public assets but may need to be underwritten or contributed to by the Australian Government to ensure that sufficient funds are available for recovery in the short term post inception.

State and Local Government self insurance could also assist in reducing the Australian Government's spend on recovery, enabling greater contributions towards resilience and mitigation. The reserves associated with this insurance may also be drawn down to fund resilience and mitigation if they accumulate to a point above what is deemed reasonable to recover from any likely disaster events.

Transitional arrangements must be made for the implementation of any major reform to the natural disaster funding arrangements to minimise the impact on both Local Government and the community who can least afford it.

If you would like to discuss this submission further, please don't hesitate to contact me
I would also appreciate the opportunity to discuss this submission in more detail with the Productivity Commission as appropriate.

Yours sincerely

Heinz/Kausche
Director Infrastructure Services