



Our ref: SJW:sw

Your ref: Nil

18th June 2014

Natural Disaster Funding Arrangements
Productivity Commission
Locked Bag 2
Collins St East
Melbourne Vic 8003

Dear Sir/Madam,

Submission to the Inquiry into Natural Disaster Funding Arrangements.

Thank you for providing Council the opportunity to provide comments on the Issues Paper regarding Natural Disaster Funding Arrangements.

Cook Shire Council is a member Council of the Far North Queensland Organisation of Councils (FNQROC.) and endorses the submission made to this inquiry by that organisation.

This submission will specifically address the restoration of essential public assets, Category B under the current Natural Disaster Relief and Recovery Arrangements (NDRRA)

The Cook Shire Council is a rural/remote local government located on the Cape York Peninsula in far north Queensland. Cook Shire has an area of approximately 106,000 sq/km, an area larger than the State of Tasmania, nearly as large as the State of Victoria and accounts for approximately 80% of the land area of Cape York. Whilst there is a very large geographical area there is a very small population and an equally small rate base with large portions of Cape York and Cook Shire being transferred from rateable leasehold properties to non rateable National Parks and Aboriginal Land Act Freehold properties.

Cook Shire has a road network consisting of 2,855 kilometres of roads with 2,679 kilometres being unsealed and 176 kilometres sealed.

Due to the geographical location and extensive area of the Cook Shire each year our community is impacted by a natural disaster. The following table shows the recent history of declared natural disasters that have triggered NDRRA funding in the Cook Shire Council local government area.

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TABLE 1

2004	Cyclone Fritz	2,799,131.00
2004	QLD Flooding	434,742.00
2005	Cyclone Ingrid	862,726.00
2006	Cyclone Monica	29,287,579.00
2007	Cyclone Nelson	3,037,357.00
2008	Qld Monsoonal	37,345,599.00
2009	Cyclone Charlotte	17,960,603.00
2010	Cyclone Olga	62,319,144.00
2011	Cyclone Tasha	29,898,262.66
2012	QLD Monsoonal	34,270,034.55
2013	Cyclone Oswald	27,933,187.16
		246,148,365.37

The current funding arrangements between the Commonwealth and Queensland Governments have enabled the Cook Shire and wider Cape York communities to survive economically as the essential road networks are restored. Like any economy, access to transport networks is essential to ensure supplies can be obtained and commodities can be forwarded to markets.

The remote nature of the Cook Shire road network has meant that it is not viable for southern based firms to carry out restoration works. Council has throughout this time completed works utilising a model where contractors do the work under the supervision of Cook Shire employees.

This model is not allowed under the NDRRA guidelines and Council has relied on a temporary value for money guideline which allows 90% of Council's own labour costs to be reimbursed. Council must contribute the other 10% (limited to 10% of general rate revenue).

As previously stated Council is faced with natural disaster restoration works on an annual basis, the annual cost of 10% of our labour costs is not sustainable for a small rural/remote local government (up to \$300,000 p.a.)

Prior to the temporary value for money guideline being introduced Cook Shire Council considered establishing a separate business unit and operating as a contractor for civil road works. With this in mind a tender was advertised for the delivery of supervisory services for NDRRA works together with construction of drainage structures associated with these works.

The tender only attracted two responses, one from the industry and one from the Cook Shire Council. The tender from Cook Shire Road Works provided significant price savings (62.4%) on the supervisory services and slight savings (1.6%) on the drainage construction works in comparison to the tender response from the industry (see appendix 1 Report April 2012 T0212 – COMMITTEE OF THE WHOLE – RECONSTRUCTION WORKS BY MANAGEMENT CONTRACT). The council pricing also included a small profit margin of 7.5% which is not applied to our day labour workforce.

The formation of the separate business unit did not proceed due to the release of the temporary value for money guideline and the work was delivered under Councils normal costing process as this delivered a cheaper outcome compared to the tendered pricing.

Cook Shire Council is supportive of the current arrangements between the Commonwealth and State Governments for the funding of Natural disaster funding however believes that the NDRRA Determination requires amendment to allow small rural/remote local governments to utilise their own workforce when it can be shown to deliver the best value for money. This amendment should be made without requiring the local governments to contribute own source funds towards those labour costs other than the existing trigger amount.

If you wish to discuss Councils submission please contact the undersigned t

Stephen Wilton
Chief Executive Officer