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Productivity Commission

To whom it may concern

**Natural Disaster Funding Arrangements
Submission by Moree Plains Shire Council**

Introduction

Moree Plains Shire is situated on a very large floodplain and frequently experiences major floods such as in recent years (two floods in 2011, one flood in 2012 and a declared Natural Disaster in 2013).

The Shire is approximately 18,000m² in area and contains approximately 2,700km of roads, most of which are in rural areas of the shire which are subject to flooding and flood damage.

Moree Plains Shire is the largest primary producer of any shire in Australia with a value of production exceeding \$1b each year. Obviously the road network is crucial for transportation of produce to market and eventually to supermarket shelves.

All of the shire roads are situated on black soil which further increases the difficulty of maintaining the road network - agriculture cannot exist without a trafficable road network.

The damage to roads in 2011 and 2012 extended to every road in the shire and rural Councils such as Moree have no way of restoring the road network after such events, other than with the assistance of the state and federal governments through the Natural Disaster Relief and Recovery Arrangements (NDRRA).

The Purpose of the Inquiry

The cost of restoring public infrastructure after natural disasters exceeds \$400m per year on average. Damage to privately owned infrastructure is not factored into this figure.

In its report "*Building our Nation's Resilience to Natural Disasters*" (the Deloitte Report) Deloitte Access Economics found that each year an estimated \$560 million is spent on post disaster relief and recovery by the federal government compared with a consistent annual expenditure estimated at \$50 million on pre-disaster resilience: a ratio of more than \$10 post-disaster for every \$1 spent pre-disaster. This is without accounting for the recovery and reconstruction costs borne by state and local governments.

Therefore, the Productivity Commission Inquiry is an important exercise in determining how Australia can better utilise its funds to reduce flood damage and ultimately save infrastructure costs as well as reduce economic and social impacts. The draft report makes some very good suggestions which should be further investigated and developed. However, there is a danger that the primary focus will become the means by which the Commonwealth can reduce its costs without addressing the need to reduce actual losses from natural disasters. Therefore, the final report needs to enshrine the holistic approach to natural disaster funding to ensure that actual damages and losses are reduced first, followed only then by the Commonwealth reaping the rewards of its investment in mitigation measures.

Comments on the Productivity Commission Draft Report

Overall Comments

The report makes some valid conclusions regarding the over reliance on federal funding, which has led to:

- Limited incentives to reduce risk exposure through mitigation
- Disincentives for private risk management investment
- Short sighted government decisions based on election cycles and media interest
- Increased entitlement dependency, decreased individual responsibility

There are obviously some clear incentives to scale back the federal government's financial commitment to NDRRA, with greater responsibility for recovery falling to the states. However, we require a state government position on this proposal, as it is likely that the State cannot fund this increased liability and will pass the burden onto local government (and therefore ratepayers) which is not acceptable or sustainable.

While it seems reasonable to raise thresholds for federal funding for "small" disasters, it is vital for rural councils in particular that state funding remain available due to their inability to raise funds from a limited, and already financially stressed, rate base.

The recommended increased focus on mitigation funding is important if we are to reduce the damage caused by natural disasters. However the Commission needs to be aware that mitigation options generally focus on reducing urban damages and it will have little effect on reducing infrastructure damage on wider scales, such as road and rail networks (as in the Moree Plains). This NDRRA "safety net" is still important.

The recommendation to revamp the NDRRA to make it more flexible and easier administratively is also welcome, particularly the emphasis on betterment, which seems to be the only practical solution to the limitations on mitigation measures to reduce infrastructure damage raised above. Roads need to be restored to be more durable if future damage costs are to be reduced.

The recommendation regarding information sharing has an important role to play if we are ever going to reduce insurance premiums. The issues restricting the sharing of information, such as intellectual property ownership, need some legislated protection for councils, as there is still resistance from some councils in releasing flood data.

The emphasis on sound town planning integrated with best practice flood risk management is strongly supported. However recommendation 4.4 requiring Councils to publish reasoning behind development decisions seems to be well outside the scope of the Commission - all reports and resolutions are publicly available already; further published justification is not necessary and will not only add to the workload for Councils but will add to the risk of challenge to the additional written reasoning.

Comments on the Key Points

"Current government natural disaster funding arrangements are not efficient"

Whilst Council makes no comment on the arrangements at state and federal level, it should be noted that the work of rural councils in disaster recovery and restoration is extremely efficient.

"Governments generally overinvest in post disaster reconstruction and underinvest in mitigation"

Whilst this statement is generally true in recent years, there are some notable exceptions where investment in mitigation has paid for itself many times over. An example of this in NSW is the Lismore levee and the Clarence Valley. Future savings will result from the investment at Roma and St George in QLD.

"Australian Government post disaster support to state governments needs to be reduced and support for mitigation increased"

The investment in mitigation needs to be foremost in future budgets before simply cutting the NDRRA funds. Then the federal government will subsequently reap the rewards.

"Insurance is an important risk management option"

This is supported however mitigation options need to be implemented first to prevent the continuing insurance payouts and the increasing premiums for private property owners. If there is no reduction in damage, there will continue to be unaffordable insurance premiums.

Comments on the Overview

Figure 1 – Page 3: Australian Post-Disaster Expenditure

Comment: Just as floods are certain to happen, so too are droughts (as reflected in the expenditure from 2003 to 2008). Can budgets be structured to take advantage of that and invest more heavily in mitigation?

Table 1 – Page 5 Insurance Losses by Natural Hazard, 1070 – 2013

Comment: This table may be of some interest but it does not tell the full story.

The Bureau of Transport and Regional Economics Report 103 in 2002 states:

"Report 103 found that floods are Australia's most costly disaster type and, on average, cost the Australian community over \$300 million each year".

Allowing for inflation, the aforementioned Deloitte Report found that each year an estimated \$560m is spent on post disaster relief and recovery by the federal government. Given that flood insurance was not available in Australia between approximately 1975 and 2008, the graph is not representative of the fact that floods are the most costly of all natural disasters and to the true extent.

Page 21: Paragraphs under the heading *“Australian Government Support for Mitigation should be increased”* state that *“...the benefits of significantly increasing mitigation spending have not been sufficiently demonstrated...”* and further *“It is not possible to generalise from a sample of projects that increased government expenditure on mitigation would deliver widespread net benefits to the community”*.

Comment: There are many examples where demonstrable benefits to the community are obvious and the benefits of significantly increasing mitigation spending have in fact been sufficiently demonstrated.

In NSW alone, the following are clear examples:

- Maitland NSW
- The Clarence Valley NSW
- Wagga Wagga NSW
- Lismore NSW

Draft Recommendation 3.2: *“...it should increase annual mitigation expenditure gradually to \$200m”*

Comment: Moree Plains Shire Council supports the proposal to increase expenditure but would urge the recommendation to replace the word “gradually” with “as soon as possible”

Conclusion

The very naming of the “Productivity Commission” implies that its purpose is to seek ways of improving “productivity”. Simply cutting NDRRA funding to the states without first investing in mitigation will result in:

- A “knock on” effect of reduced funding to local government
- More damaged roads which cannot be repaired due to lack of funding
- Reduced productivity due to poor transport infrastructure

Moree Plains Shire Council recommends further consideration of the points raised in this submission with the addition of the following:

- Restoration of the previously existing funding formula of at least 2:2:1 for floodplain management mitigation measures in regional areas to enable under resourced local Councils in rural and regional areas to afford its contribution to mitigation measures
- More accessible “betterment” funding to make infrastructure more durable in rural areas and thereby reduce damage and restoration costs in future
- Less “bureaucratic studies” and a higher priority for physical mitigation works which reduce losses where the solution is obvious

Moree Plains Shire Council thanks the Productivity Commission for its investigation and recommendations and Council would be more than willing to discuss this submission further at your convenience.

Yours sincerely,

David Aber
GENERAL MANAGER

CC: Moree Plains Shire Councillors