

Comments from Diamantina Shire Council Productivity Commission Draft Report - Natural Disaster Funding Arrangements

Diamantina Shire Council is a small and remote Council situated in the Channel Country of far central west Queensland. Some quick statistics of the shire are as follows:

Population	292
Shire Area	95,000km²
General Rates (Gross)	\$687,800
No. of Rural Ratepayers	14
No. of Urban Residential Ratepayers	
No. of Commercial/Industrial Ratepayers	
Total Recurrent Revenue	\$12.3M
Budgeted Operating Deficit 2014/15	\$3.1M
Staff	68 FTE (inc.13 vacancies)
Shire Road Length	1,039km
Sealed	27km
Gravel	1012km
Within Floodplain	48%
Total Road Asset value	\$86.9M

The following table sets out Natural Disaster Events (all flooding) in the shire since 2006 and the extent of damage sustained.

Natural Disaster Event		Council Roads	DTMR Roads
Description	Year	Approved Value	Approved Value
Qld Monsoonal Flooding March 2011 (7N)]	Mar-11	\$ 41,180,924	\$ 24,014,103
Qld Monsoonal Flooding April 2010 (7H)	Apr-10	\$ 14,976,920	\$ 20,432,286
Communities within South West Qld affected by rain and flooding Sept 2010	Sep-10	\$ 963,736	\$ 583,478
Qld Monsoonal Flooding Feb 2009	Jan-09	\$ 8,854,022	\$ 9,476,166
Communities within South West Qld affected by rain and flooding June 2008	Jun-08	\$ 2,937,418	\$ 1,069,938
Southwest Qld Storms Feb 2008	Feb-08		\$ 1,811,557
Central and Western Qld Storms & Flooding Dec 2007	Dec-07	\$ 1,086,230	
Communities affected by Northern and Western Flooding Jan 2007	Jan-07	\$ 9,076,386	\$ 6,996,767
Tropical Cyclones and Flooding March 2006	Mar-06	\$ 276,589	\$ 769,773

Use of Council Resources

Council supports the inclusion of day labour as an eligible cost in the restoration of public assets. In addition, the use of Council machinery should also be eligible for reimbursement. Council strongly supports the use of Full Cost Pricing (in accordance with National Competition Policy principles) in determining the eligibility for labour and machinery costs such that all relevant oncosts are also eligible. This ensures that the true cost of restoring the asset is recognised and reimbursed to Council whilst being able to readily compare this cost to that of a Contractor, demonstrating Value for Money.

Diamantina Shire is dependent on regular flooding (and flood damage) to maintain a suitably skilled workforce. By Council being able to use day labour and its machinery to complete flood restoration work on roads, it is able to employ extra staff for this purpose who then underpin the completion of road construction and maintenance work for DTMR and Council between floods. Flood Damage work also provides greater utilisation of Council machinery resulting in Council be able to purchase its own specialist machinery rather than paying to hire machinery all year round. This reduces plant hire costs to not only council and DTMR jobs but to flood damage restoration projects as well.

In a town of 140 people, employing an additional 15 people makes a huge difference to the social fabric of the town and the amount of money circulating within local businesses. It provides more people for the SES unit or to volunteer for community groups.

Insuring Roads

The reality for Council is that 48% of Council controlled roads are located within a flood plain resulting in some level of damage from flooding events. This puts the estimated value of roads within floodplains at \$41.7M. These unsealed roads have multiple sites along their length where floodways are constructed given the nature of the topography.

The frequency and extent of damage is dependent upon the nature of the flood and which river catchments experience the flooding. The nature of the flood can change each event depending on the amount of rain that has fallen and where and when it fell and in what river catchments this has occurred. Flooding lasts for months in some areas with even DTMR roads being impassable for many weeks.

If insurance of road assets was to become mandatory, Council would struggle to comply. Given that there is a reasonable probability that damage will be sustained to the roads on the floodplains within the shire, it is likely that:

- Council will not be able to get insurance for these sections of road; or
- The premium will be significant when compared to the nett general rates collected. This would necessitate a significant rise in general rates to pay for the premium by the 14 rural ratepayers and/or a reduction in the standard of the road.

Mitigation

In our particular situation, there is very little scope to complete betterment on our flood plain roads. This is due to their low traffic volumes and the cost (given our remoteness) to improve vast lengths of road. Gravel floodways are the only real option for our topography allowing little scope for mitigation. Where betterment was contemplated, Council would need to consider whether it could afford the higher standard of asset given its share of construction betterment costs and how it would fund the ongoing whole of life cost.

Option 1

The effect of future Natural Disaster Funding Arrangements on the Diamantina Shire Council, based on Option 1 (the Commissions preferred option), will depend on how the Queensland Government chooses to implement the changes imposed on them by the Federal government. eg. If a higher trigger amount is imposed on the State, it is reasonable to assume that this higher trigger amount will be passed onto local government through a higher trigger amount.

Of more concern is the recommendation that the Federal governments reduce their contribution from 75% to 50%. This would then mean that 'someone else' has to fund the additional 25%. If the state passes this 25% over to Local Government to fund, Diamantina Shire Council does not have the financial capacity to do this. If this were the case, based on flood damage occurring over the next 8 years as happened in the previous 8 years, Council would need to find \$19.8M over the 9 year period to 2014, during which there were 3 years with no flood damage. This is \$2.2M per year. When compared to our nett annual general rates of \$687,800, it is clear that Council would need to take out insurance (which may not be possible or affordable), raise rates (which means a rate increase of more than 300%) or not fix the roads.

To take into account the significant variance in the capacity to fund natural disaster restoration, Council recommends a stepped/threshold approach to local government co-contribution which is linked to Australian classification of local government. Eg Rural Remote Small, Rural Agricultural Large.

This would mitigate a lot of the impact on the small shires who don't have the capacity to pay and put a bigger emphasis on larger shires to focus on mitigation.

For further information contact:

Mr Leon Love
Chief Executive Officer
Diamantina Shire Council
0747461202