

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

Dear Sir/Madam

Submission to the Draft Report - Inquiry into Natural Disaster Funding Arrangements.

Thank you for providing the Far North Queensland Regional Organisation of Councils (FNQROC) the opportunity to provide comments on the Draft Report regarding Natural Disaster Funding Arrangements.

FNQROC represents the local government areas of Cairns Regional Council, Cassowary Coast Regional Council, Cook Shire Council, Croydon Shire Council, Douglas Shire Council, Etheridge Shire Council, Hinchinbrook Shire Council, Mareeba Shire Council, Tablelands Regional Council, Wujal Wujal Aboriginal Shire Council and Yarrabah Aboriginal Shire Council.

Over the last ten years at least one council in the region has been affected by a natural disaster; of note is Cassowary Coast Regional Council which has faced two category 5 cyclones (Larry and Yasi). We believe this positions us well to provide informed comments from a Local Government perspective on the Productivity Commission's draft report on Natural Disaster Funding Arrangements.

Attached is our detailed response to the draft report. As a summary:

We are encouraged by the Commission's findings:

- That restrictions on reimbursement for the use of 'Day Labour' led to wasteful spending.
- Effective planning and mitigation of risks is essential;
- Current funding arrangements are not efficient, equitable or sustainable and prone to cost shifting;
- There is an over-investment post disaster (for a number reasons; requirement to use contractors, forced construction in the wet season, continued restoration of the same asset to the same standard etc) and under-investment in mitigation;
- Mitigation funding should be increased;
- Governments have a role in providing support to individuals who have been seriously affected by natural disasters to avoid immediate economic and social hardship, but some changes are needed;
- Governments could better allow people to understand natural disaster risks and incentives to manage them.

However, we have concerns that:

- The shift in Federal policy support for Natural Disasters will have an impact on developing Northern Australia.
- Whilst the Commission found that reimbursement for the use of ‘day labour’ led to wasteful spending, there was not a reflective recommendation which was not linked to transferring of financial responsibilities from Federal Government to State Government.
- The draft report appears to limit financial exposure through ‘accounting’ policies rather than improving business process.
- The Commission may revisit benchmarking as a solution; identified within the report but not included as a draft commendation.
- Communities in regional, rural and remote areas will be disadvantaged by a number of the draft recommendations.

We look forward to talking further on the draft report with the Commission in Townsville.

Should there be any queries with the submission, please do not hesitate to contact Darlene Irvine, Executive Officer.

Yours sincerely

Cr Bill Shannon
FNQROC Chair



FNQROC submission on the Productivity Commission report into Natural Disaster Funding – October 2014

General Comment

The report appears to limit financial exposure through 'accounting' policies rather than improving business processes to achieve a reduced financial burden for all. The focus seems to be on whether Federal, State or Local should bear the risk and cost. The focus should be on how we reduce the risk to the tax payer, who is also the rate payer. Transferring the burden from Federal to State to Local does not reduce the cost to the tax payer. Recommendations should also have a focus on gaining efficiencies, allowing those who have experience in construction to do what they have been trained to do in the most cost efficient manner. Current and proposed policies are focused on financial year timelines. As an example – on page 121 *"Reconstruction and replacement of essential public assets would be excised from the current reimbursement model and funded based on assessed damages and benchmark prices. The Australian Government would contribute 50 per cent of the estimated cost of reconstruction (above the annual threshold). This contribution would be assessed and provided at the end of the financial year in conjunction with funding for community recovery. This means that cash payments would better approximate accrual (event year) liabilities."*

Our cyclone season is November to April. It could be 2 to 3 months before all the damage is assessed (due to accessibility and land size). Existing policy enforcement will also further exacerbate our ability to respond rapidly post an event. With the enforcement of no 'day labour' provisions, the component of Council workforces that may have undertaken NDRRA works have already started to be retrenched which will limit Local Governments' ability to undertake these assessments quickly.

Our construction period is May to October which fits within the current year philosophy – If we could commence restoration rapidly. Given our land size, reduction in experienced people and funding policies, this cannot occur with confidence. Basing policies on a calendar or financial year does not create efficiencies and value for money to get communities functioning again.

We ask that the Commission further considers policies that are based on improved business processes and efficiencies; reduced financial risk/exposure will follow.

Page 6 identifies that insurance losses from natural disasters exceeded \$21 billion over the period 1970 to 2013. However, the bulk of these losses arose from a relatively small number of events – *10% of natural disasters accounted for 80 per cent of the recorded insurance losses...an implication of this finding is that policy settings and natural disaster funding arrangements need to be designed well to deal with these costly natural disasters.* Presumably, this finding also relates to the Federal Government contribution to restoration. Inevitably, the costs shifted to State and Territory Governments will mean a resulting shift to Local Government. Arguably it is a tax by stealth on those people living in these higher risk areas. For Far North Queensland¹, our gross regional product (GRP) was \$12.5billion as at 30 June 2013² economic; this appears to far outweigh the return support for restoration. Effectively, the Commission is arguing that the burden should rest with those who live in these areas rather than sharing the burden across all who benefit from our

¹ Far North Queensland is cited as FNQROC member Councils which include: Cairns Regional Council, Cassowary Coast Regional Council, Cook Shire Council, Croydon Shire Council, Douglas Shire Council, Etheridge Shire Council, Hinchinbrook Shire Council, Mareeba Shire Council, Tablelands Regional Council, Wujal Wujal Aboriginal Shire Council and Yarrabah Aboriginal Shire Council.

² National Institute of Economic and Industry Research (NIEIR) compiled by economy.id.

economic contribution. A simple assessment on the average earnings of people living in regular at risk areas shows those communities are below the National and State averages.

In regard to the benchmarking of works, it is acknowledged the report does not include this in the recommendations, however we would like to stress this option is not viable. Work approval should continue to be based on scope and not a benchmark cost. The rationale for benchmark prices is again an accounting one rather than improved efficiency and getting the best outcome for the tax payer. The rationale given will only improve cash flow for the Australian Government, however it will make it worse for State and Local Governments. Benchmark costs are based on average construction conditions. In our region cost overruns occur due to construction occurring in the wet season to meet an 'accounting' deadline of end of June. An example of how assessed damage and benchmark prices would be of concern to State and Local Governments is a landslip on the road between Wujal Wujal and Ayton in Cook Shire Council. The estimated cost of restoration was \$2 million. When works commenced it became apparent the damage below the surface was significant and could not be seen on previous inspections. The resultant works included a gabion revetment wall with a final cost of \$10.5 million. Once construction commences on these types of works it cannot cease while government agencies argue about who should pay. Again, at the end of the day this is not in the tax payer's best interest.

Handing further autonomy to State or Local Governments to obtain cost savings and efficiencies should not come at the expense of Federal Government abdicating its financial responsibilities to communities recovering from a traumatic experience. Effective audit processes will detect those taking advantage of the Federal Government.

We ask that the Commission DOES NOT reconsider including benchmarking of costs as a recommendation. It could be a tool but additional clear processes need to sit behind this for the unforeseen or forced construction to meet 'accounting' deadlines.

It is quite clear the focus is on Federal to State Government and this is understandable as this is how the funding flows. Inevitably any decisions to reduce the Federal Government's financial exposure will flow through in some shape or form to Local Government. In April 2008, the Productivity Commission released its report "Assessing Local Government Revenue Raising Capacity". Some of the key points from this include:

- *The fiscal capacity of a Council is best measured as the aggregate after-tax income of its community.* In Far North Queensland the total personal income median is \$29,025 which is below the state average of \$30,524³. If we exclude Cairns Regional Council the median is \$24,792⁴.
- *Remote and rural Councils tend to draw more heavily on their fiscal capacities.* Far North Queensland is predominately comprised of remote and rural Councils.
- *On average across Australia, Councils are raising 88 per cent of their hypothetical benchmarks.* It is also noted the key point is this should not be taken to imply that Local Government should increase the revenue they raise – it depends on their individual circumstances and the willingness of their communities to pay or linked to the first point; their ability to pay.

³ Queensland Regional Profiles: Resident profile for FNQROC Region, Queensland Government Statistician's Office, Queensland Treasury and Trade.

⁴ Queensland Regional Profiles: Resident profile for FNQROC2 Region, Queensland Government Statistician's Office, Queensland Treasury and Trade.

We ask that the Commission includes the opportunity for continued discussion and dialogue between Federal and Local Government on the consequential impacts of the recommendations implemented.

On page 95 of the report *“The Inspectorate (sub. 39, p. 6) stated that the ‘value for money’ process that it has applied in conjunction with the Queensland Reconstruction Inspectorate:*

has identified \$1.7 billion in rejected or withdrawn claims, of which the Commonwealth would have been liable to reimburse almost \$1.3 billion. In addition, the Inspectorate has identified a further approximately \$100 million of ineligible expenditure.”

This fact maybe so, and there may have been some Councils and state agencies pushing the boundaries, however the events of that time covered a significant number of Council areas which had not faced a natural disaster for a period of time and were unfamiliar with the policy. Misinformation was bountiful with QRA staff providing differing advice, and councils in one area approved and others declined. As with all funding and subsidies people are advised to apply to ‘see what happens’, ‘you won’t get what you don’t ask for’. Perhaps this case is an example of how ‘unclear’ the policy and its application is. Policy implementation is still unclear and a moving feast. As an example, as at early September 2014, Cook Shire Council had an outstanding claim from TC Tasha (2011) of \$700,000 and despite constructing to approved scope are at risk of only being paid \$600,000. Within the region, we have seen a number of claims reimbursed below actual cost despite being constructed to scope. Reimbursement of the remaining 10% of claims has been an arduous task for Councils; despite talk of a ‘clear close out process’ the reality has been very different with again, differing staff requesting differing information on a continual basis. Arguably by now the process should be clear for all yet it is not. A cynic could argue that Federal and State departments are trying to justify their roles in the restoration process.

Focussing on efficiencies in process rather than which level of government needs to fund the works from its revenue base, which is provided by the tax payer would be a better focus.

P112 – 3.1 – A framework for effective natural disaster management.

The first sentence of the first paragraph is correct. In theory, the second paragraph is correct. The last sentence of the first paragraph *“In doing so, asset owners receive the full benefits and incur any costs of risk management actions taken”* and *“The principle that asset ownership should align with responsibility for managing and funding risks is also applicable to governments”* is a flawed translation. This report seems to simply that Federal, State and Local Governments as asset owners should be responsible for the assets they own which ignores factors such as:

1. While the asset is owned by Local Government the majority of the benefit goes to State and Federal Governments by way of economic development and taxes. These roads get imports and exports to and from the transport hubs.
2. Much of Local Government assets where funded by central governments in the 1950’s and more recently are ‘donated’ assets. Councils in this region are managing the renewal of these with limited population density, and larger land areas with limited capacity (in comparison to State and Federal) to raise revenue.

It is acknowledged the Commissions draft does recognise these difficulties and the fiscal imbalance however, a reduction in funding will not necessarily *‘sharpen the incentives and investment in mitigation’*, rather, we could potentially see the alternative solutions which in the short term seem financially viable such as ‘temporary’ cheaper, ‘throw away’ or ‘modular’ assets which are expected to be damaged each year. This has the potential to further create a “them and us” mentality

between cities and regional, rural and remote areas as those with density (cities) have the resources to provide superior assets.

This policy direction also will be a major inhibitor and will conflict with the Federal Government's commitment to developing Northern Australia.

Key Points (Page 2)

There are a number of key points we support:

We agree that:

- Effective planning and mitigation of risks is essential;
- Current funding arrangements are not efficient, equitable or sustainable and prone to cost shifting;
- There is an over-investment post disaster (for a number reasons; requirement to use contractors, forced construction in the wet season, continued restoration of the same asset to the same standard etc) and under-investment in mitigation;
- Mitigation funding should be increased;
- Governments have a role in providing support to individuals who have been seriously affected by natural disasters to avoid immediate economic and social hardship, but some changes are needed;
- Governments could better allow people to understand natural disaster risks and incentives to manage them.

However, there a number of findings and draft recommendations we are concerned with:

The evolution of the funding arrangements can be characterised by a growing generosity by the Australian Government during the previous decade, followed by a swing to constrain costs and increase oversight after the recent concentrated spate of costly disasters.

The amount of disaster funding support has not significantly increased In Far North Queensland on a council by council basis over the past 10 years. The exceptions will be for Cassowary Coast Regional Council which has faced two category 5 cyclones. Had the Federal and State Governments actively supported betterment to allow mitigation we may have actually seen a decrease in funding support. Focussing on mitigation now and betterment as a process through restoration will reduce future claims. We also argue that no amount of mitigation will protect assets from a natural disaster such as the storm surge Cassowary Coast Regional Council experienced as a result of Cyclone Yasi.

Australian Government post-disaster support to State Governments needs to be reduced, and support for mitigation increased.

We argue that post-disaster support from the Australian Government needs to remain **and** mitigation needs to be immediately significantly increased. With mitigation support now, Councils could plan more effective mitigation works as part of their asset renewal plans. Currently they need to plan based on the current level of support on offer which is extremely competitive and significantly over subscribed leaving Councils to base their financial planning and subsequent works on their current capacity. Mitigation works as part of current restoration efforts also will inevitably save on future construction costs **and** Federal Government restoration support after the next event.

Insurance is an important risk management option, especially for private assets. Households and businesses should be relied upon to manage natural disaster risks to their assets. Insurance markets in Australia for natural disaster risk are generally working well. Pricing is increasingly risk reflective, even to the individual property level.

It is concerning to read the Commission has identified the insurance markets in Australia for natural disaster risk are generally working well. It appears too much faith has been placed on them to 'do the right thing'. On the surface this may be achievable if you look at the nation as a whole, however in those areas at high risk – Northern Australia - insurance is not working well. It has become cost prohibitive for the general public and arguably another deterrent for economic development.

DRAFT RECOMMENDATIONS, FINDINGS AND INFORMATION REQUESTS

Budget treatment of natural disaster risks

Do state, territory and Local Governments maintain up-to-date asset registers?

Councils within FNQROC have been working on asset management for a number of years now. All Councils all have asset registers and as time has passed and continual review occurred the confidence in their contents has increased. Managing these registers and AMP's is still a challenge for business processes but progress is being made.

How is asset management planning integrated into state, territory and Local Government budgets?

Under recent changes to the Sustainable Planning Act, Councils are required to develop Local Government Infrastructure Plans which has a direct link into their long term financial plans to identify how they are going to fund infrastructure into the future. Local Governments also are required to report annually on their asset renewal ratio.

How do state, territory and Local Governments' asset management plans incorporate natural disaster risk management?

Natural disaster risk management is managed through a separate focussed management process based on risk, likelihood and consequence. Through this process strategies and actions are identified to mitigate these risks and implemented as financial resources allow.

Asset Management Plans take into consideration (but not limited to); soil types, environs (wet/dry), terrain and service level hierarchy

DRAFT FINDINGS:

2.1 – The budgetary treatment of natural disaster costs as an unqualified contingent liability means that governments make decisions about natural disaster risk management without having full information about the potential consequences.

Where governments make no explicit budgetary provision for the costs of recovery from future natural disasters there is a systematic bias against mitigation and insurance.

It is difficult to have an explicit budgetary provision for recovery however, councils do account for the 'trigger' values associated with them. Councils have also reacted quickly to the opportunity to mitigate future damage through restoration works which is likely not to be captured in the total cost of restoration. As an example, in Cassowary Coast Regional Council, for 2010 there were \$4.4mil in complimentary and ineligible contributions, 2011 was \$2.9mil and they are still finalising claims for the 2013 and 2014 events.

It is difficult for councils to predict provisions if interpretation of the policy continues to change.

2.2 – Some cost sharing between the Australian and State and Territory Governments in the form of a fiscal 'safety net' to assist with the cost of natural disasters is inevitable because of vertical fiscal imbalance.

The current funding arrangements exceed the requirements for such a safety net.

- The current thresholds for funding under the Natural Disaster Relief and Recovery Arrangements (NDRRA) do not constitute a major fiscal burden which exceeds State and Territory Governments' funding capacity.
- The NDRRA 'small disaster criterion' is too low. It captures small, routine events which are unlikely to constitute natural disasters.
- A marginal reimbursement rate of 75 per cent is excessive and is not consistent with other cost-sharing arrangements in the Federation.
- The scope of eligible expenditure under the NDRRA is unclear in some cases, and includes activities which are the core responsibilities of State and Territory Governments. Ministerial discretion for 'exceptional circumstances' assistance adds more uncertainty around eligible expenditure.

The NDRRA 'small disaster criterion' of \$240,000 may appear at a Federal level as too low, however this trigger is extremely important to small remote Councils such as Croydon and Etheridge Shire Councils which have a population of 322 and 918 and a land mass of 29,538 and 38,850 square kilometres respectively.

Regarding current thresholds (excluding small disaster criterion) – this is an argument best had between the State and Federal Governments. However, we would like to highlight that history tells us this additional burden will not rest with State Government alone. There will be a transferred financial impact on to Local Governments. We respectfully ask that the Commission considers this when making their final recommendation.

Regarding marginal reimbursement rate of 75 per cent is excessive and not consistent with other cost sharing arrangements – the events used as an example included a 30 year spike and the effective contribution by the Federal Government was 59% for the past decade. As expected with the current arrangements, the Federal Governments' exposure will increase. Add to this the

proposed removal of the business and primary production support and reduction in AGDRP the case example would have reduced by approximately \$1.1 billion giving an effective rate of 55% overall contribution for what is considered large disaster events. Arguably in this case with the damage involved Federal support of greater than 50% overall is warranted. There is a responsibility for the Federal Government to support the States and regions. Limiting and/or reducing this support will inhibit economic development, particularly in Northern Australia where the Federal Government is focussing attention on policy and infrastructure to promote economic development. New and existing businesses need to feel confident that essential community assets will be functional in a timely manner after an event such as a cyclone or flood. This affects not only their economic import/export ability but also their ability to attract and retain employees.

Regarding Category D – we agree there should be some rigour around this however flexibility needs to be maintained for exceptional circumstances. The exceptional circumstances will differ from event to event and location to location. The NDRRA policy needs to be written so it can be applied fairly and transparently across the nation, however not all areas are the same so they cannot be treated the same. Category D assists with this.

2.3 – There are several impediments to State, Territory and Local Governments taking out adequate insurance for their road assets against natural disaster damage.

- The current natural disaster funding arrangements reduce the incentive for State, Territory and Local Governments to insure their assets.
- Most State, Territory and Local Government asset registers are not adequate for the requirements of insurers.
- Most State, Territory and Local Governments have not fully explored the use of non-traditional insurance instruments for insuring roads.

When looking nationally, it is understood how this conclusion could be made. Within the FNQROC region, it is believed our asset registers are adequate and improving.

The Local Government Association of Queensland (LGAQ) has previously undertaken investigations into insuring Council road assets with the results proving to be cost-prohibitive.

2.4 – Prescriptive requirements in the Natural Disaster Relief and Recovery Arrangements (NDRRA) limit the scope for cost shifting, but also impose administrative costs.

- The reimbursement model under the NDRRA reducing the incentives for state, territory and Local Governments to implement the most cost-effective options for disaster recovery.
- Restrictions on reimbursement for inputs for reconstruction (such as restrictions on reimbursing the use of ‘day labour’) lead to wasteful spending.
- The bias in the NDRRA toward rebuilding damaged assets to their pre-disaster standard leads to excessive reconstruction expenditure.
- There are numerous barriers to the use of the Betterment provisions
- A lack of clarity around what constitutes ‘current building and engineering standards’ leads to inconsistent application of the clause and inequitable outcomes.

These findings are very much supported by FNQROC member Councils. It is however disappointing that issues such as restrictions on reimbursing the use of ‘day labour’ has not carried through to the draft recommendations.

2.5 – On balance, total mitigation expenditure across all levels of government is more likely to be below the optimal level than above it, given the biased incentives towards recovery under current budget treatment and funding arrangements. However, the extent of the underinvestment in mitigation is not known, and the benefits of significantly increasing mitigation spending have not been sufficiently demonstrated.

It is agreed that mitigation expenditure is severely lacking and it is short sighted by all who do undertake mitigation works as part of restoration as a minimum. Of all the levels of government, Local Government is least able to afford to do mitigation works on an asset currently functioning to its service potential based on potential risk when it has competing priorities, such as the need to renew existing assets which do not meet service levels, or additional assets to meet growth and current legislation requirements. Mitigation funding is significantly over subscribed and as such, Local Governments cannot plan on this funding support in developing their works programs.

We would argue against a reduction of Federal funding before significant investment in mitigation works. With significant Federal and State investment in mitigation the flow on effects of reduced restoration costs should follow. With these reduced restoration costs, the Federal Government will see reduced exposure and expenditure in the future, thus eliminating the risk of this policy hampering development of Northern Australia and maintaining the perception the Federal Government is supporting the regions.

2.6 – The Australian Government Disaster Recovery Payment (AGDRP) is significantly higher than the Crisis Payment that is provided to assist income support recipients with the impacts of traumatic events. As such, the AGDRP may be higher than necessary to meet the emergency needs of people affected by natural disasters.

Eligibility criteria for the AGDRP tend to be adjusted following a major natural disaster and have progressively become broader in their scope. Ministerial discretion over the eligibility criteria has led to inconsistent and inequitable treatment of people in comparable circumstances and has contributed to increased program costs.

There is overlap and duplication between the AGDRP and State and Territory Government emergency assistance to individuals. The Australian Government is better placed than the states and territories to provide emergency assistance to individuals in an efficient and timely manner.

This finding is supported.

2.7 – The case for government assistance to businesses and primary producers after a natural disaster is weak.

If governments do provide assistance to businesses and primary producers, untied grants are a more efficient, effective and equitable instrument than loans and subsidies.

FNQROC supports this finding in part. The opportunity to provide some support to assist businesses and primary producers to recover from a **major** natural disaster is warranted. It is disappointing that untied grants were not carried through to the draft recommendations.

DRAFT RECOMMENDATIONS

3.1 – The Australian Government should:

- reduce its marginal cost sharing contribution rate to disaster recovery outlays to 50 per cent under the Natural Disaster Relief and Recovery Arrangements.
- Increase the triggers for Australian Government assistance (small disaster criterion and annual expenditure threshold)

In conjunction with this reduction in funding assistance, the Australian Government should provide State and Territory Governments with increased autonomy to manage relief and recovery expenditure in a way that reflects the preferences and characteristics of their communities.

In the 'Overview' (Page 3), the share of costs over the past decade as a comparison indicates the overall Federal contribution to be 59%. Based on page 9, it is assumed the Local Governments' contribution has been included in the State and Territory contribution. However, this will not include all costs incurred by Local Government for restoration.

When looking at page 8 (expenditure for 2009-10 to 2012-13) the Federal contribution for NDRRA and recovery payments was \$7 billion, while Local and State contribution was \$4 billion. This indicates the Federal Government contributed a little under 64%. Again, these figures do not seem to include costs to Local Government. Arguably on a national basis this will bring down the Federal contribution percentage even further.

Information request:

Should there be a more explicitly definition of counter disaster operations under the Natural Disaster Relief and Recovery Arrangements?

- To what extent are extraordinary counter disaster operations costs subject to separate Australian Government cost-sharing arrangements?

We are unaware of any cost sharing on these costs.

- To what extent are activities that are the normal responsibility of State and Territory Governments being included as eligible expenditure under this clause?

FNQROC is unable to comment on this.

- To what extent do Councils utilise day labour and own equipment for community recovery activities, such as counter disaster operations?

For the 2011 and 2012 events, approximately 50% of the asset reconstruction claim was completed using Cairns Regional Councils internal resources (Note: Cairns Regional Council has a business unit which was eligible under the current arrangements and not seen as 'day labour').

3.2 – If the Australian government reduces the relief and recovery funding it provides to State and Territory Governments, it should increase annual mitigation expenditure gradually to \$200 million, distributed to the states and territories on a per capita basis. The amount of mitigation spending could be adjusted over time to reflect the imputed 'savings' from reduced relief and recovery funding.

Increased mitigation funding should be conditional on matched funding contributions from the states and territories and best-practice institutional and governance arrangements for identifying and selecting mitigation projects. These could include:

- Project proposals that are supported by robust and transparent evaluations (including cost-benefit analysis and assessment of non-quantifiable impacts), consistent with National Emergency Risk Assessment Guidelines risk assessments and long-term asset management plans and subject to public consultation and public disclosure of analysis and decisions
- Considering all alternative or complimentary mitigation options (including both structural and non-structural measures)
- Using private funding sources where it is feasible and efficient to do so (including charging beneficiaries)
- partnering with insurers to encourage take-up of adequate private insurance and private mitigation through measures such as improved information sharing and reduced premiums.

Elements of this draft recommendation are supported. Mitigation funding should start prior to any reduction in Federal relief and recovery funding. The effect of this should reduce Federal, State and Local Government financial exposure into the future. This could also mean the Federal Government could maintain its current level of support within policy which in turn keeps economic confidence for the development of Northern Australia.

A gradual increase to \$200 million per year is not sufficient particularly if you look at the cost of events over the past 10 years. Perhaps there could be some limited Federal Government relief and recovery support for those assets that have obtained mitigation funding into the future.

Distribution of mitigation funding to States and Territories on a per capita basis is also not supported. Distribution of mitigation funding should be based on Federal and State historic exposure...those 'groundhog days' mentioned in the draft report. Reference is made to [Table 1](#) showing Local Government land area responsibility, population base to support this and total NDRRA claimed between 2009 and 2014.

Table 1 - Local Government Areas, Population and NDRRA 2009 to 2014

	Area Sq Km	Population⁵ (ERP 30 June 2013)	Total NDRRA 2009 to 2014 (\$m)⁶
Cairns Regional Council	1,687	157,081	\$62.8
Cassowary Coast Regional Council	4,701	28,694	\$168.3
Cook Shire Council	106,121	4,393	\$185.4
Croydon Shire Council	29,538	322	\$44.5
Douglas Shire Council	2,445	11,473	\$14.0
Etheridge Shire Council	38,850	918	\$49.9
Hinchinbrook Shire Council	2,811	11,700	\$187.3
Mareeba Shire Council	53,610	21,402	\$27.6
Tablelands Regional Council	64,768	24,775	\$83.5
Wujal Wujal Aboriginal Shire Council	11	285	N/A
Yarrabah Aboriginal Shire Council	158	2,681	N/A
TOTAL	304,610	263,724	\$823.3

⁵ Queensland Regional Profiles: Resident Profile for FNQROC Region, Queensland Government Statistician Office, Queensland Treasury and Trade, 14 October 2014.

⁶ LGAQ draft submission on the PC report

Page 101 of the report with reference to the Deloitte Access Economics report identified “estimated that increasing Australian government pre-disaster resilience funding to \$250 million per year could: ...generate budget savings of \$12.2 billion for all levels of government (including \$9.8 billion for the Australian Government) and would reduce natural disaster costs by more than 50% by 2050 (Deloitte Access Economics 2013, p. 9).

This indicates the Australian Government has a vested interest in mitigation works, they stand to gain 77.9% of the benefits yet the recommendation is for the Australian Government to only contribute 50%. Surely this is risky for the Australian Government as they are relying on other levels of government to contribute 50% - for a lesser return on investment. It is also noted the Deloitte report assessment was based on \$250 million yet the recommendation is for a gradual increase to \$200 million.

It should also be recommended that where applicable, and identified in Asset Management Plans, mitigation/betterment support should occur when an asset is damaged through a natural event as part of the restoration efforts.

3.3 – The Australian Government should publish estimates of the future costs of natural disasters to its budget in the Statement of Risks. It should also provision through annual appropriation for some base level of natural disaster risks that can be reasonably foreseen. For more catastrophic, less quantifiable risks, it is likely to be more efficient to finance the related costs if and when the risks are realised.

No comment

3.4 – State, territory and Local Governments should further investigate non-traditional insurance products for roads. Where they do not already do so, state, territory and Local Governments should compile and publish detailed registers of road asset condition and maintenance for all roads over which they have jurisdiction (and have these registers independently audited). This may help insurance markets to understand and price the risk. Consideration should be given to the Victorian model in this regard.

Accountability frameworks should be strengthened (page 23)

We support the statements made under the heading “Accountability frameworks should be strengthened (page 23). Further detail would be required regarding incorporating natural disaster risk planning consistent with long term financial plans. How far are Local Governments expected to go? Local Government asset registers are becoming more and more robust with time. In terms of valuing the road asset and risk to life it should not be too difficult to include an element of risk to the asset (Councils currently take into consideration environmental factors such as soil condition, wet/dry environments, terrain etc.). However, if it is expected that Local Government shorten the expected life of the asset because of the risk posed by a natural disaster this will then have significant consequences on Councils’ depreciation expense and subsequently Councils’ long term financial sustainability, all based on a risk which may or may not occur to that asset into the future.

While it would take some time and planning effort to incorporate, it should not be unexpected that high risk assets have a mitigation option attached to them within the Long Term Asset Management Plans.

3.5 – The Australian Government should:

- cease reimbursement to State and Territory Governments under the Natural Disaster Relief and Recovery Arrangements for relief payments for emergency food, clothing or temporary accommodation and assistance to businesses and primary producers (including concessional loans, subsidies, grants and clean-up and recovery grants)
- reduce the amount provided under the Australian Government Disaster Recovery Payment (AGDRP). The Australian Government Crisis Payment may provide a reasonable benchmark in this regard.
- legislate the eligibility criteria for the AGDRP and the Disaster Recovery Allowance and make these not subject to Ministerial discretion.

This recommendation appears to conflict with the findings. Perhaps untied grants for businesses and primary producers could form part of Category D. For Cyclone Larry and Yasi clean up grants were a significant assistance for some substantial damage. Again, dismissing this totally could have an impact on developing Northern Australia.

3.6 – The Commonwealth Grants Commission should revisit its assessment of ‘average state policy’ and accompanying accountability, requirements for natural disaster policies once the Australian Government has announced its decision regarding relief and recovery funding arrangements.

4.1 (finding) – The availability on natural disaster hazards and exposure has improved significantly in recent years, especially in relation to floods. However, there is scope for greater coordination and prioritisation of natural hazard research activities across governments and research institutions.

Information Request

If guidelines for the collection and dissemination of hazard mapping and modelling are developed:

- *Who would be best placed to develop these guidelines?*

Individual Councils are not best placed to develop these guidelines as there will be duplication of effort and costs.

- *What hazards could be covered?*
- *How could guidelines for hazard types be prioritised for development?*

In terms of hazards and priorities, perhaps risk to people and historical cost of risk would be the Commonwealth’s priority list.

4.1 – When collecting new natural hazard data or undertaking modelling, all levels of governments should:

- make information publically available where it is used for their own risk management and/or there are significant public benefits from doing so.
- use private sector providers where cost effective, and use licencing arrangements that allow for public dissemination. Where there are costs involved in obtaining intellectual property rights for existing data, governments should weight up these costs against the public benefits of making the data freely accessible.
- apply cost recovery where governments are best placed to collect or analyse specialist data for which the benefits accrue mostly to private sector users.

Too much control seems to be going to private sector providers (insurers). How is control going to occur to ensure the data provided is not manipulated for a predesigned outcome in the private sectors benefit?

Where government has commissioned natural disaster risk information, we support this information being freely available to the public where it is in their best interests.

4.2 – State and Territory Governments, Local Governments and insurers should explore opportunities for collaboration and partnerships. Partnerships, for example, could be formed through the Insurance Council of Australia and state-based Local Government associations (or regional organisations of Councils). Consideration could be given to the Trusted Information Sharing Network model, and involve:

- Governments sharing natural hazard data that they already hold and undertaking land use planning and mitigation to reduce risk exposure and vulnerability
- Insurers sharing expertise and information (for example, claims data) to inform land use planning and mitigation.
- Collaboration to inform households of the risks that they face and adequacy of their insurance to fully cover rebuilding costs, and to encourage private funding of mitigation through incentives such as reduced premiums.

Regarding Regulating Insurance, there is no real recommendation to a very real issue here. This has a very big impact on those who are least able to manage/afford it. Too much trust seems to be given to insurance companies to 'do the right thing'. It is understandable however that the insurance issue is a review in itself. What is the real impact of the recommendation to remove State and Territory taxes and levies on insurance? What confidence can we have and how can we enforce these savings to the policy holders? Does this recommendation mean significantly more people will be able to afford insurance?

LGAQ has undertaken some significant investigations into insurance for our road assets with no financial options identified to date.

Regarding ROC's – Based on the work of LGAQ it is not believed ROC areas as an aggregate for insurance of road assets will make it financially viable for Councils.

4.3 – State and Territory Governments should hasten implementation of the *Enhancing Disaster Resilience in the Built Environment Roadmap*, including reviewing the regulatory components of

vendor disclosure statements. Furthermore, the Land Use Planning and Building Codes Taskforce should consider possibilities for regular, low-cost dissemination of hazard information to households by governments and insurers (for example, work of the Insurance Council of Australia to develop natural hazard ratings at a household level).

4.4 – State Governments should:

- Clearly articulate the state-wide natural hazard risk appetite in land use planning policy frameworks
- Provide Local Governments with guidance on how to prioritise competing objectives within land use planning
- provide Local Government with guidance on how to integrate land use planning and building standards. Consideration should be given to Victoria’s Integrated Planning and Building Framework for Bushfire in this regard.

Furthermore, Local Governments should publish the reasoning behind development assessment decisions.

4.5 – The onus is on State Governments to ensure that Local Governments in their jurisdiction are sufficiently resourced to effectively implement their land use planning responsibilities. State Governments should review the adequacy of Local Governments’ resources and capabilities, and provide further resources and support where they are not adequate.

This recommendation is supported.

4.6 – State Governments should provide additional support and guidance to Local Governments that addresses the extent of Local Governments’ legal liability when releasing natural hazard information and making changes to land use planning regulations.

This recommendation is supported.

4.7 – The provisions in the Queensland *Sustainable Planning Act 2009* for injurious affection should be repealed.

This recommendation is supported.

4.8 – State and territory taxes and levies on general insurance should be phased out and replaced with less distortionary taxes.

No Comment

4.9 – Insurers should provide additional information to households regarding their insurance policies, the natural hazards they face and possible costs of rebuilding after a natural disaster. This work could be led by the Insurance Council of Australia to ensure consistency in the provision of information across insurers.

No Comment

4.10 – All governments should put in place best-practice institutional and governance arrangements for the provision of public infrastructure, including road infrastructure. These should include:

- Stronger processes for project selection that incorporate requirements for cost-benefit analyses that are independently scrutinised and publicly released.
- Consideration of natural disaster risk in project selection
- A clearer link between road-user preferences and maintenance and investment decisions.

It is felt that perhaps this recommendation with the exception of consideration of natural disaster risk in project selection is out of the scope of this review.

It is agreed that consideration of natural disaster risk should occur with project selection. However, this should not be to the detriment of 'no projects' because an area is in a risk zone. A case example would be Cassowary Coast Regional Council. Any project in this area based on the last six years could be deemed high risk.

Regarding cost-benefit analyses. In areas outside of cities, very few projects on current data achieve a cost-benefit of 1. However, once the work was completed and the opportunities realised the same cost-benefit methodology achieved a cost-benefit of one or more. Two case examples include the beef roads in Central Queensland and sealing of the Mulligan Highway from Mareeba to Cooktown.