



Burdekin Shire Council

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Letter No:

Natural Disaster Funding Arrangements
Productivity Commission
LB2 Collins Street East
Melbourne Vic 8003

Emailed to: disaster.funding@pc.gov.au

To whom it may concern,

Productivity Commission Draft Report- Inquiry into Natural Disaster Funding Comments

In response to the Draft report from the Productivity Commission Inquiry into Natural Disaster Funding arrangements, Burdekin Shire Council submits the following comments.

DRAFT RECOMMENDATION 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.

If the Australian Government were to reduce its marginal cost sharing contribution under NDRRA to 50% this would have a significant adverse impact on local governments. Burdekin Shire Council had expenditure of over \$22M in relation to a natural disaster event in 2012. If the Australian Government had reduced its contribution to 50% this would have left a gap of over \$5.5M to be sourced from alternative funding. There is no guarantee that the Queensland State Government would contribute the additional 25%. If Council had to fund this gap it would have resulted in approximately a \$638 rate increase to each of our ratepayers to cover this expenditure. For most ratepayers in our community this expense is not affordable. Ultimately, Burdekin Shire Council would not have been able to restore vital infrastructure in a timely fashion. This could have caused great economic loss to local industry and business. Additionally, if the Australian Government were to increase the triggers for assistance this would place further burden on Local Governments, and in turn rate payers. Currently, Burdekin Shire Council includes an amount in the annual budget to cover up to the trigger point for any potential disasters. Should the small disaster criterion be increased as proposed, Burdekin Shire Council could be impacted in an extremely negative way. Our Council does not have the capacity to fund restoration works up to \$2M on multiple occasions in one year- which is a possibility for one of our river systems (Example- the Haughton River has in the past flooded up to 7 times in one year- if each one of those events were to cost our Council \$1M each, we would have been unable to fund the recovery necessary). If the Australian Government were to increase the annual expenditure threshold, Council would be forced to increase the amount it budgets for this purpose- which would also lead to an unaffordable rate increase for our rate payers. Rate increases not only affect our rate payers but also

greatly affect our risk rating when managing the potential of non-payment of rates. This recommendation could potentially place local governments in the unpropitious position of not having the ability to effectively deliver recovery services alongside with ordinary operational compliance services and needs based services. What measures will the federal government put in place to ensure that the cost burden is not shifted to local governments in times of disaster? It should not be forgotten, that outside of NDRRA eligible expenditure, local governments incur many other expenses outside of normal operating expenses that must also be absorbed by the rate payer. Local Governments have limited sources of funding and it is not sustainable to simply continue to increase rates or increase borrowings. As stated in our previous submission, Burdekin Shire Council supports a move towards greater autonomy, in particular where costs savings can be achieved by using its own day labour.

DRAFT RECOMMENDATION 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 would 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 complementary 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.**

In principle the increase of funding for mitigation purposes is one which may be widely supported. It is worth noting that in some areas of the country, structural mitigation works are either impossible or deemed to have no cost benefit. Our Shire, for example, has two major river systems that dissect our land area. We experience somewhat irregular flooding events of one, if not both rivers and these events have the potential to cause serious damage to vital infrastructure. Unlike mitigation works in places such as Charleville, it would be impossible to build any kind of levy to protect our towns, farmlands and infrastructure in the Burdekin Shire. Other mitigation options such as reinforcing river banks may have other undesirable affects on the environment and would give no guarantee of reduction of flood damage or inundation.

Burdekin Shire also sits in an area of North Queensland that experiences regular tropical cyclone events. In an effort to build a resilient and educated community we currently conduct non structural mitigation through awareness and readiness community information days held annually with funding from the Queensland Government. Burdekin Shire Council are well positioned to engage in further initiatives of this kind, with the support of additional funding to increase non-structural mitigation measures, helping the community to become better aware of the risks of natural disasters and the steps they can take to treat and reduce those risks.

Mitigation expenditure gradually increasing to \$200M annually will do little to create true mitigation measures against natural disasters (even double this on a dollar for dollar basis would not be enough to address the gap left by reduced recovery funding). For mitigation expenditure to be effective it needs to be utilised to address the risks that natural disasters present. Mitigation measures are already employed where they have been deemed to be cost effective and worthwhile- however, not every risk can be mitigated against and it is in these circumstances where it is necessary to provide recovery funding. Disaster does not strike on a per capita basis- therefore it makes little sense to distribute mitigation funding on a per capita basis. Mitigation funding should be provided based on needs, not only on population.

DRAFT RECOMMENDATION 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.

Currently Burdekin Shire Council maintains an up to date asset register. The register provides Council with information about when assets are due for replacement, and this information, in conjunction with regular inspections helps to inform Council when making decisions and prioritising maintenance works. Currently, the register of assets is not published or put to an independent audit. Due to the difficulty in accurately forecasting the impacts of natural disaster risks on our assets and the number of variables that can affect the impact of natural disasters, these risks do not have a significant place in our current methods of asset management. There is doubt that insurance markets would be better placed to accurately price the risk of natural disaster impacts on our road assets. This could lead to a number of outcomes- it may be determined that our road assets are uninsurable and the risk is too difficult to accurately measure; or, the insurance markets may under price the risk and leave our roads underinsured; or, the insurance markets may overprice our risk making insurance unaffordable.

DRAFT RECOMMENDATION 4.1

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

- **make information publicly 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 weigh 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.**

Burdekin Shire Council has commissioned a number of flood study reports over a number of years. This information is publicly available, though fees do apply. The fees charged to access this information only cover Council's administrative costs in providing the information, not the costs involved in having the study commissioned.

DRAFT RECOMMENDATION 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.**

Burdekin Shire Council view information sharing, partnerships and collaboration between the Insurance Industry and state-based local government associations (or regional organisations of Councils) as a potentially positive proposal. Anecdotally, many North Queensland residents have received increasingly higher insurance premiums over recent years, to the point where some are choosing not to insure, or to insure to a lesser value. Even in years where there has been no natural

disaster event in this area, premiums have still increased. Our Council recently adopted a Floor Heights Policy for new dwellings and extensions to the liveable area of existing dwellings. The Policy was introduced to reduce the exposure to flooding risks by setting a minimum floor height relative to data from a commissioned flood study. There is no evidence available to indicate that insurers have reduced premiums for properties that comply with Council's Floor Heights Policy. If by providing flood study data and copies of the Council's floor heights policy to insurers, they are able to reduce insurance premiums for locals, Council would see this as a positive step.

DRAFT RECOMMENDATION 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.**


Burdekin Shire Council currently incorporates cost- benefit considerations in its project selection process. Using our asset management program, our officers will inspect roads due for repair/reconstruction/resealing and will also inspect surrounding roads in that area that may not be due to be repaired until next year or the year after. If it is deemed that it would be more cost effective to complete works on both roads in the area (while equipment and machinery are already located there) we select those projects to be completed at the same time. Local Governments, by their nature, already have in place an “independent scrutinising process” process in place. Officers rarely make decisions for project selection independently- they work with a team of experts who bring differing views and experience to the process. Further, officers will report to Council and make recommendations on project selection. Council then can ask questions, seek alternatives and object or agree to the recommendations of the officer. Governance arrangements which impose unnecessary external consultation (independently scrutinised project selection) could lead to additional costs and time-wasting when the existing process already allows for projects to be selected based on cost-benefit analyses.


Natural disaster risks are extremely difficult to calculate as there are many variables and therefore taking them into consideration when selecting projects is not something that would be easy to implement or measure.


Our Council is strongly opposed to many of the recommendations in the draft report. We have strong concerns that without the security of financial support from State and Federal Governments, and with no ability to afford to insure against natural disaster, our community could suffer extreme hardship in times of natural disaster. Although we understand the need for improvement in processes and reduction of wasteful spending, when reviewing the recommendations in the draft report we urge the commission to consider the detrimental effect of cost shifting onto local government and the flow on effect this will have to individuals, business and local economies.

Kind Regards,

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