



6 June 2014

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Natural Disaster Funding Arrangements
Productivity Commission
LB2 Collins Street East
Melbourne Vic 8003
Via Email: disaster.funding@pc.gov.au

Dear Commissioner

Productivity Commission Issues Paper – Natural Disaster Funding Arrangements

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

The Far North Queensland Regional Organisation of Councils membership includes Cairns, Cassowary and Tablelands Regional Councils, Cook, Croydon, Douglas, Hinchinbrook and Mareeba Shire Councils and Yarrabah and Wujal Wujal Aboriginal Shire Councils. Member Councils cover over 250,000 square kilometres in Far North Queensland. Over the past 10 years, there has not been a year without a declared event in our region.

FNQROC has previously met with Senators and Ministers in relation to Natural Disaster Recovery Relief Arrangements and developed a submission "*FNQROC Submission on the NDRRA Guidelines and State Implementation*" to both the Federal and State governments in August 2012 (post Cyclone Yasi). This submission remains current and relevant and is attached as appendix A and forms part of our submission to the Commission.

Councils throughout this history have structured themselves to ensure community resilience pre, during and post an event. They have geared their workforce to respond quickly to natural disasters and deliver Natural Disaster Recovery Relief Arrangements (NDRRA). Councils have funded these workforces through a combination of NDRRA works, Road Maintenance Performance Contracts (RMPC) and Council work.

We note the Commission has been asked to assess the full scope of current Commonwealth, State and Territory expenditure on natural disaster mitigation, resilience and recovery, and to identify reforms which achieve an effective and sustainable balance between natural disaster recovery and mitigation funding arrangements to help a community to better prepare for disasters. For this reason, we have included as Appendix A "FNQROC submission to Federal and State Government on NDRRA, August 2012". This submission identifies the issues Councils in this region have encountered and also offers proposed solutions.

Member Councils within the region look forward to discussing our submission further in the future.

Should there be any queries or clarification, please contact Darlene Irvine, FNQROC Executive Officer, on .

Yours sincerely

Cr Peter Scott
Deputy Chair

Copy to:

Senator the Hon. Jan McLucas, via email
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Mr Gavin King MP, via email
Mr Curtis Pitt MP, via email
Mr Michael Trout MP, via email
LGAQ, via email
Advance Cairns, via email
FNQ&TS RDA, via email
FNQROC Member Councils, via email

General Comments:

It is noted in the definitions that drought is not included however consideration should be given to how the commonwealth government can support these areas in terms of resilience and recovery to enable Councils to plan their support to these communities.

As the paper identifies, natural disasters do pose a threat to community living standards but they also pose an economic threat. Our two most prominent and growing areas are Agriculture and Tourism. This region exports \$1,462 million¹ (2012-13) in agricultural product per year, accounting for 20.3% of the total exports from the region, providing 2.7% contribution to the national GDP (12.4% contribution to Queensland). A memorable example of the impact of natural disasters on the Australian public came after both Cyclone Larry and Yasi with respect to the price of fruit and vegetables, in particular bananas. Tourism visitation to this region is worth \$1,108.7 million per year in direct output, plus \$632.6 million indirectly (2012-13). The tourism industry directly employs more than 11,500 people in the region, equating to 10.5% of the region's employment base.

Appendix B "*Natural Disaster Relief and Recovery Funding in Cook Shire Council*" provides a more in depth local economic impact assessment on the NDRRA funding and the case for maintaining Federal and State Government support.

The value of this region to the national economy and the strategic intent of the Federal Government to economically grow Northern Australia means there is a need for the federal government to support prompt recovery of the community to recover both economically and socially.

¹ Source: Extracted by economy.id from National Institute of Economic and Industry Research (NIEIR) – Modelled series

It is clear that this region provides significantly to the national GDP. The cost of living is significantly higher in our region as a result of our location (distance from capital cities), and living in an area with the responsibility of protecting international assets (World Heritage Wet Tropics and Great Barrier Reef). Living in such a unique environment means additional costs to councils due to:

- a. Higher standards in water and waste infrastructure;
- b. Higher costs to dispose of solid waste (solid waste needs to be transported a significant distance as few councils have permitted landfill sites within their local government area);
- c. Transportation of goods and services; and
- d. Significant the cost of insurance.

The community does not have the capacity to pay more.

Regarding previous reviews of Natural Disaster Management funding:

Report by COAG 2002 – We strongly support funding for disaster mitigation and the introduction of ‘betterment’ provisions. With the number of events within this region, we feel funding is better invested in ‘betterment’ of damaged assets than simply by continuing to return the asset to the state it was prior to the event. It is realised that any NDRRA policy needs to apply to the entire country which causes the conflict in terms of betterment for those areas not regularly affected by a natural event. Perhaps some policy around when betterment can be utilised will help resolve the conflict for those areas where natural disasters are not a regular occurrence.

The Productivity Commission’s report *Barriers to Effective Climate Change Adaptation* – With respect to the comment regarding betterment provisions being under-utilised due to unclear administrative and funding arrangements, and that Local Governments sometimes lack the capacity to undertake effective mitigation. This region could not agree more. Since the establishment of the Queensland Reconstruction Authority, Councils in this region have been continually frustrated with a change in process from one that once worked, to one which was convoluted with differing advice depending on who was spoken to. When the call came from the State Government for betterment projects, the available funding was significantly over-subscribed. Councils carry a significant financial burden both directly and indirectly as a result of an event. With the significant number of services they are obliged to fund, it leaves them little opportunity to invest significant amount of money on top of this for unforeseen mitigation works. Some very clear guidelines from the Federal and State Governments will allow Councils to plan and prepare.

National Audit Office reports - The Australian Government Reconstruction Inspectorate’s assessment of rebuilding projects under the NDRRA had generally provided assurance of value for money in Queensland. (ANAO 2013a, 2013b). However, we argue that better value for money could be achieved by allowing Councils day labour to be claimed. In particular for the rural and remote areas, as Councils could not financially afford to use their workforce without reimbursement. Councils had historically structured their workforce to manage reconstruction in a timely fashion. If an event did not occur Councils wore the financial cost of these teams and utilised them for Road Maintenance Performance Contracts (RMPC) and other construction areas. These teams historically were eligible for direct activities related to NDRRA however interpretation or enforcement of the policy has meant this is no permitted (excepting the numerous exceptions granted to some councils). The policy had not changed, only the interpretation changed. Cook Shire Council is a prime example for this case.

Councils in our region now need to seriously review their ability to maintain this workforce for a number of reasons:

1. While the NDRRA guidelines have not significantly changed over this period, the interpretation and enforcement of the guidelines have.
2. Significant State budget cuts to road funding have resulted in significant reductions in RMPC.

The effect of this is a requirement to substantially increase the use of contractors to deliver works in this region. While it could be argued the workforce would simply shift to these contractors, this is not the case. The majority of our region comprises rural and remote communities and any contractors will need to be imported into the area. The result of this is:

1. Increased unemployment.
2. Increased cost to State and Federal Government through:
 - a. establishment costs, food, accommodation etc.), and
 - b. arguably, as an event will occur across Council boundaries, increased costs due to competition to engage contractors to undertake the works within the defined timelines for funding.
3. Loss of skilled staff.
4. Significant reduction of economic benefit to communities as these wages will not flow through the community.
5. Significant reduction in the ability of Council to assist their communities post event.

As tax payers we are liable, but also these communities see any investment in restoration then leave the area, ie. wages exported out of the area to their primary place of residence, similar to those resource communities which experience a fly-in, fly-out workforce. There also is an impact on the plant utilisation rates in the local area, which puts a further strain on the local community.

Commission Questions:

1. What this enquiry is about?

An Imperative for reform

What are the costs of natural disaster in Australia? What are the main factors driving the elevation in natural disaster impacts and what is the outlook for these drivers?

The direct cost to Federal, State and Local Governments for the physical restoration works is clearly reported. However, the indirect costs to Local Governments (hence the community) is not. As identified in Appendix A and more acutely in the LGAQ submission, Councils fund additional activities pre-event, during an event and post-event. This includes:

- Establishing a Local Disaster Management Group.
- Preparing and approving a Local Disaster Management Plan.
- Ensuring the Council (structure and equipment) has a disaster response capability.

- Communication linkages to District Disaster Coordinator.
- Overhead costs including administration costs such as finance, human resources and back office processing.
- Preparation of NDRRA submissions, management of progress of works, reporting, numerous audits and acquittal.
- Loss of interest revenue through the use of reserves or conversely through the use of temporary loans.
- Clean up and restoration of natural vegetation, natural banks, streams and rivers etc.
- Financial and facility support to volunteer organisations such as SES and Rural Fire Brigades.

What issues arise when attempting to measure the costs of natural disasters? What methodologies exist to measure these costs?

There are currently no clearly defined methodologies to measure the total cost to Councils. As a rule of thumb, the indirect cost to Councils to administer NDRRA requirements is 10 - 15%. This percentage reduces as the cost of restoration increases due to economy of scale, however the impact is still significant and reduces or eliminates the Council's ability to focus attention on planned asset renewals and capital expenditure. The result of this is a further increase in costs to Councils through deferring this work.

Are there reliable projections of future natural disaster incidence and impacts in Australia?

There are numerous projections and studies. The term 'reliable' is arguable by the reader depending on the political direction of the Federal and State Governments. Federal and State Governments need to take a leadership role on this to provide guidance to Councils to plan for the future.

2. Current Natural disaster funding arrangements

Natural Disaster Relief and Recovery Arrangements

General

The Policy objectives of the NDRRA should simply be to assist communities return to normal as quickly as possible after a disaster event. Achieving this requires action to be taken by all levels of Government before, during and after disaster events.

Priority should be given to restoring the local business community (enabling cash flows within the region), and restoring essential public infrastructure to enable swift normalcy in the community.

What are the policy objectives of the NDRRA? Have these changed over time? Are current arrangements consistent with the achievement of these objectives?

Please refer to Appendix A.

How effective are the eligibility criteria for NDRRA reimbursement in facilitating effective and sustainable natural disaster risk management, including

mitigation of possible future disasters? How rigorously have these criteria been enforced? What level of oversight is provided?

The eligibility criterion has progressively tightened up over recent years. It now restricts payment to only core asset restoration which is diligently enforced by the Queensland Reconstruction Authority (QRA). This has resulted in additional unexpected expenses for councils.

Additional commentary is provided in Appendix A.

Are the thresholds for NDRRA reimbursement set at an appropriate level?

It is believed the current threshold levels are appropriate. Councils simply do not have the revenue generating capacity of the State and Federal Governments. If additional costs were pushed down to the Local Government level, Councils simply would not be able to restore infrastructure in a timely fashion. It would take years for essential public assets to be repaired. There seems to be an entrenched belief that Local Governments abuse the system. With the current level of oversight and the level of auditing that occurs, it simply is not possible for Local Governments to abuse the system.

With the removal of the Water and Waste Capital Grants and the freezing of the FAG grants, Councils are struggling to provide basic services let alone fund a significant disaster response. The Productivity Commission Paper talks about the sustainability of the Federal Government, but it does not consider the sustainability of State and Local Governments. Further shifting of costs to the Local Government level is not sustainable.

For further commentary, please refer to Appendix A.

Is the approach of providing assistance under four categories the most appropriate way of administering Australian Government grants? Is the way the categories are defined sensible? Is the assistance provided under each of the four NDRRA categories set at an appropriate level?

No comment.

Are the 'betterment' provisions in the NDRRA effective in encouraging recovery that develops resilience and reduces the costs of future disasters?

The words are in the policy however limited funding and support in implementation by both the Federal and State Governments needs to be enhanced. Application process for betterment has improved from 2010 events to 2014 however we are still restricted with limited funding available for betterment.

There also is a requirement to better define 'betterment' versus 'current engineering standards' versus 'gold plating' infrastructure. We have examples in the region of where similar works were proposed and in one Council it was 'current engineering standards' and then approved, while in the other it was deemed 'betterment' and then not approved. Further details are included in Appendix A.

Are the payments to farmers and small businesses through NDRRA categories B and C justified? Are they set at appropriate levels?

No comment.

How frequently has Category D ('exceptional circumstances') assistance been used? What is this assistance used for and how have decisions been made?

Category D has been approved for this region for activities not normally eligible for NDRRA funding. This has included 'day labour' and restoration of natural areas, particularly on foreshores. Box 1 below identifies Cassowary Coast Regional Council Category D examples.

Box 1

Cassowary Coast Regional Council – Category D examples

1. Cardwell Reconstruction;
2. Mission Beach Jetties;
3. Foreshore and town centre.

In particular, without the Cardwell reconstruction, this devastated town would have declined considerably and would have lost even more population than it did as a result of the destruction of Cyclone Yasi. Similarly the loss of two major tourism jetties in Mission Beach would have seen an end to boating tourism in that area and the loss of even more jobs and population.

The non-funding of these projects could have seen these towns and their economies severely impacted well into the future.

Is the treatment of NDRRA expenditure in the Australian Government budget appropriate? Does it lead to effective risk management and efficient allocation of resources?

No. The requirement to use contractors for restoration works in this region comes at a significant cost to the Federal and State Governments. Refer Appendix A and B. It is estimated this increases the cost by as much as 30%. Yes, Councils are able to undertake the works but the costs are not claimable and Councils cannot afford to cover this cost. Reference is made to the fiscal imbalance table identified further in the submission.

National Partnership Agreement on Natural Disaster Resilience

How effective have National Partnership Agreement on Natural Disaster Resilience (NPANDR) funded projects been at promoting resilient communities and reducing the impacts and costs of natural disasters? Is the focus appropriate? Have evaluations been undertaken of these projects and are these publicly available?

This type of funding is difficult to obtain in our region and often goes to those Councils better resourced (available experienced staff/contractors to develop the application and ability to contribute financially) to apply for funding.

Some Councils within the region have received funding in the past from State and Commonwealth Governments for Disaster Resilience. This funding has typically been for:

- flood and storm surge studies and mapping,
- stormwater drainage master planning,
- house floor height surveys,

- minor flood mitigation works, and
- upgrade to flood alert stations.

This allows Councils to have a better understanding of the impacts of flooding, storm surge and drainage. It also allows them to respond to disasters better and provide improved awareness in the community. Their however needs to be significantly more funding of infrastructure improvements to mitigate future damage from natural disasters.

Within Queensland there is the opportunity to utilise 'Royalties to the Region' funding. However, under the Infrastructure Charges Bill which comes into effect on 1 July 2014, the first step to accessing this funding is for Councils to adopt the 'fair value schedule' for infrastructure charges on development.

The Far North Queensland & Torres Strait Regional Development Australia (FNQ&TS RDA) has development roadmap for priority implementation package 2 - Climate Adaptation (Appendix C). This roadmap was developed by a regional leadership group which consisted of James Cook University, Cape York Sustainable Futures, Gulf NRM, Reef Rainforest Research Centre, Cairns and Far North Environment Centre, Cassowary Coast Regional Council and Torres Strait Regional Authority together with FNQ&TS RDA. The roadmap consists of Key Package Initiatives and Pathways developed for this region.

What limits have been placed on grant amounts by individual state or territory governments? What is the rationale for setting individual grant limits? What have been their consequences (e.g. have projects with large net benefits not received funding?)

No comment.

What is the most efficient way of allocating funding – between states and within states – under this national partnership?

No comment.

Is the amount of funding under the NPANDRA adequate? How should the Australian government determine how much it contributes to disaster mitigation and resilience activities?

No. There needs to be significant investment in determining the impacts of natural disaster damage on the community and economy. This includes identification of mitigation measures and the costs, followed by funding of these mitigation measures. Such works include levies, drainage improvements, transport infrastructure upgrades, river training and coastal protection infrastructure etc.

Along with this, there needs to be an ability to fund operation and maintenance costs into the future.

Is the balance of Australian Government funding on mitigation and resilience activities relative to recovery activities appropriate? How should this assessment be made?

No further comment.

How effectively does the National Emergency Management Projects program contribute to sustainable natural disaster mitigation and resilience?

No comment

Australian Government Assistance to Individuals

What is the objective of the Australian Government Disaster Recovery Payment (AGDRP)? Does the scheme in its current form achieve those objectives? If not, what changes do you consider are needed?

No comment.

Are there any unintended consequences from the AGDRP?

No comment.

Does the AGDRP overlap with state and territory government assistance to individual?

No comment.

What expenditure was made under the Disaster Income Recovery subsidy over the past decade?

No comment.

State, territory and Local Governments

What are the governance and institutional arrangement relating to natural disaster mitigation, resilience and recovery in each state and territory? What are your views on how these arrangements could be improve?

Please refer to Appendix A for a list of issues and proposed solutions.

Which state, territory and Local Government policies cover natural disaster mitigation, resilience and recovery? What processes are used to manage natural disaster risks in government activities?

Natural disaster mitigation, resilience and recovery is inherent throughout member Councils in this region and is featured within all Local Government corporate plans and related strategic plans. Implementation to optimum standard is inhibited by lack of funding, existing cohabit infrastructure, State policies (such as Local Government Infrastructure Plan) and Federal policies (or the states interpretation in implementation such as NDRRA guidelines – Refer Appendix A).

How do respective state and territories undertake analysis and decision making when allocating funding across mitigation, resilience and recovery of natural disaster risks?

No comment.

Do state and territory governments have the capacity to fund natural disaster risk management?

Federal and State Governments have significantly more capacity to fund than Local Governments do. It is well documented that Local Governments have been devolved more and more responsibility from State Government without the associated resources. It is also clear there is a fiscal imbalance:

2011-12	Revenue Share	Expenditure Share	Value of Asset Base
Commonwealth	81.35%	68.49%	10.03%
State	15.27%	25.98%	57.56%
Local Government	3.38%	5.53%	32.41%

* Source: ABS Taxation Revenue 2011-12, cat no. 5506.0 and ABS Government Finance Statistics 2011-12, cat no. 5512

In addition to this, it should be noted that Local Governments in Queensland have been faced with:

- a. a three (3) year freeze on financial assistance grants to Councils in the 2014 Budget.
- b. over the period since 2002/03 State Government funding has effectively been halved from levels averaging approximately \$480 million between 2002/03 and 2009/10, to approximately \$225 million in 2013/2014. (Source: LGAQ).
- c. over the past four years, Councils have had to increase general rates and water/sewerage charges by 27% (Source: LGAQ).

While Local Government is being impacted on this, inevitably it is the community which has to pay. This is on top of increased costs incurred due to our location.

Additional to this, the LGAQ submission provides a robust financial impact analysis on Councils.

What influence does Australian Government funding (such as through the NDRRA and NPANDRA) have on state, territory and Local Government prioritisation and funding of infrastructure projects? How does this funding affect the mix of projects funded through other means?

NDRRA funding is the highest priority for Councils. For Local Governments, when looking at the effect on the mix of projects funded through other means you need to consider an event in total, not just the restoration phase. For explanation I refer to "Councils Contribution" (Appendix A page 10 of FNQROC Submission on the NDRRA Guidelines and State Implementation).

Every dollar spent on pre-event, during and post-event, is a dollar which needs to come from other priorities. Generally this will be from planned asset renewal/maintenance and places additional burdens on existing infrastructure, which in turn increases their maintenance costs until the funds can be re-established.

While Federal and State Government funding is defined in time this is not the case for Local Government; the indirect effects while not obvious are felt for at least the next five years. Where Council funding is available and the works have been identified within their five to 10 year plans, they have bought forward projects to enhance works funded through NDRRA to meet desired standard (current engineering standard deemed as betterment which was not approved for funding).

Do the collective requirements of the Australian Government under the NDRRA and the NPANDRA provide incentives to the states and territories to effectively manage natural disaster risk that would exist in the absence of federal funding coupled with Commonwealth Grants Commission equalisation payments?

No comment.

How effective are each state and territory's natural disaster relief and recovery measures relating to individuals, businesses, primary producers and voluntary organisations (including those part-funded by the NDRRA)? Are these arrangements targeted sufficiently closely to those in the greatest need?

No comment.

How well are natural disaster mitigation and recovery coordinated across governments and agencies at the Commonwealth, state/territory and local levels? Is there evidence of duplication or overlaps?

From a Local Government perspective, there is a perceived duplication and overlap and this is clearly evident in the number of audits that are conducted. This is further detailed in appendix A page 7 and 21. Since this time it has only deteriorated, adding further indirect costs to Local Government. It is acknowledged some Councils have attempted to take advantage of this funding, however it did not take this level of auditing to identify these Councils. We question the actual return on investment for the number and depth of audits undertaken.

What progress have state and territory governments made in implementing the recommendations of past inquiries relating to natural disasters? Do any of the recommendations relate to funding arrangements? Are there major recommendations that remain to be implemented?

No comment.

Interactions with broader Commonwealth-state financial arrangements

How do Australian, state and territory government expenditures on natural disaster mitigation, resilience and recovery spending interact with other Commonwealth-state financial arrangements?

No comment.

Do current horizontal fiscal equalisation arrangements have implications for incentives for natural disaster risk management by state and territory governments?

No comment.

Do all states adhere to the same policy on natural disaster risk management?

No comment.

3. Assessing the current arrangements

Roles and responsibilities for risk management

What should be the objectives of the natural disaster funding arrangements?

As they currently stand, the current objectives of the natural disaster funding arrangements are suitable.

What do 'coherent', 'effective' and 'sustainable' mean in the context of natural disaster funding arrangements?

The funding arrangements should be free of misinterpretation to allow timely reinstatement of essential infrastructure to current engineering standards while supporting economic, environmental and social reestablishment of the impacted community to enable confidence.

Under current institutional arrangements, are roles and responsibilities for natural disaster risk management allocated appropriately?

The roles and responsibilities between Federal departments and between federal and State Governments is very convoluted which makes it extremely difficult for Councils to source the 'owner' of an issue and attempt to resolve it. After significant frustrations, and meetings with Federal Senators and Ministers, this region sat down to document our issues and propose solutions. The intent was to develop one for the State and one for the Federal Governments however, it became very clear that they interlinked and could not be viewed independent of each other. This submission is attached as appendix A.

Do governments provide the right framework for effective risk management by private individuals and businesses? What could governments do differently?

With the evidence of more extreme events it is appropriate for Federal and State Governments to take a leadership role and tackle the difficult decisions. As an example, the Queensland State Government recently removed the requirement for Councils to accommodate a 0.8m sea level rise in their planning schemes under the guise of local decision making. This then requires local elected members to make the difficult decisions which affect freehold landowners. This then creates the 'them' and 'us' between Councils and potentially promotes development in areas of high risk.

Leadership also is required in relation to 'rebuild or relocate'. Is it Local Government's responsibility to protect private properties with rate payer funding? Financially, some Councils due to their population base may be able to fund a 'rebuild' while those without the population cannot, yet they may bow to public pressure and put at risk that Council's financial sustainability into the future (there are numerous examples of this occurring across Queensland Councils). The message should be consistent and clear from the Federal and/or State Governments – either they will support the 'rebuild' or they will not, Councils can then plan for these residents into the future.

Is there evidence that natural disaster funding arrangements induce ‘moral hazard’ behaviour by governments, households and businesses?

(Note: ‘moral hazard’ has not be defined in the paper.)

No comment.

Does the fact that the states and territories do not bear the full costs of natural disaster reconstruction diminish their incentives for investment in risk management, including mitigation and insurance?

No comment.

To what extent is moral hazard a significant problem at the household and business level in Australia? Does it result in inefficient and ineffective natural disaster risk management?

No comment.

Providing incentives to use insurance

What are the current arrangements for insurance of essential public assets owned or managed by state and territory governments?

Unless the State Governments insure Local Government assets, then this has not impact on Local Governments’ ability to restore damaged infrastructure. Insurance is a significant cost burden and it is unlikely it could be afforded by Councils or by the State for infrastructure which has a history of being repeatedly damaged.

What explains the disparities in natural disaster insurance coverage by state and territory governments?

No comment.

What impacts do the structure and design of the NDRRA have on the incentives of households and business to insure their property?

It is not believed the NDRRA provides an incentive for businesses and households to insure their property or not; it is the insurance companies and the premiums being charged which impact on this in our region.

Do problems exist in insurance markets that prevent households and businesses from taking out insurance for natural disaster risks? What are the causes and consequences of these problems? What possible solutions might be available?

In 2012, the Australian Government Actuary developed a “*Report on Investigation into strata title insurance price rises in North Queensland*”². This report identifies that between 2007 and 2012 the gross premium rate relative to 2007 increased by 300%. Anecdotally, in Far North Queensland the rises have been significantly higher than this amount. The **average** claims over this period showed a 250% increase. The conclusion in this report that premiums were undercharged is somewhat short-sighted given this is based on a short five year period with a ‘cluster’ of events.

² North Queensland is taken to include the Marlborough region along with areas in and around Mackay, Proserpine, Townsville, Ingham and Cairns.

It is understood the Australian Government is undertaking further in-depth review and a discussion paper on “*Addressing the high cost of home and Strata Title insurance*” was released in May 2014 with submissions closing on 2 June 2014. We will leave further detailed commentary to those with more experience in this area.

Is non-insurance and underinsurance by households and businesses against natural disaster risks a significant problem?

Yes. The high cost of insurance will have an impact on existing households and businesses.

If they choose to insure:

- Households (existing) will/are facing a significant impact on weekly budget adding additional strain on ‘liveability’ within the region.
- Businesses (existing) will face increasing strain on your financial position, potentially delaying expansion and or additional employment opportunities.

If they choose not to insure there is a significant financial risk should their property be affected by an event – one which they may not be able to recover from.

To the economic growth of the region. Insurance costs and risk of an event impacting business and or personal property is a consideration for anyone. The liveability and perceived resilience of the region could be put at risk. Liveability and risk of an event are important elements underpinning the bigger picture of growing Northern Australia.

Are high insurance premiums for households in some areas reflective of the risk in those areas, or are they reflective of information asymmetries or other problems in the insurance market?

No. Generally the premiums relate to the postcode not a risk assessment at the property level. Risk mitigation works at this point of time will not impact on insurance premiums.

What impact is mitigation activity likely to have on insurance premiums? What evidence is available to assess this?

Refer to the comment above. While premiums are based on post code, mitigation activity will not have an impact at the individual property level.

Allocating resources to natural disaster risk management

Are current natural disaster funding arrangements consistent with effective and sustainable allocation of resources to natural disaster mitigation, resilience and recovery?

No. Refer Appendix A - FNQROC Submission on the NDRRA Guidelines and State Implementation.

What are the effects on risk management and resource allocation of treating natural disaster recovery as a contingent liability? Should the budget treatment of natural disaster funding be changed?

For Local Government, treating natural disaster recovery as a contingent liability will place a burden on the perceived financial sustainability of that Council for an event which may not be realised. For State and Federal Government, this may be considered an option as the risk increases from State to Federal level that this contingency will be realised.

What information and skill sets are required for more effective budget management of natural disaster risk, at both the Commonwealth and State level?

No comment.

Do current funding arrangements exacerbate the political economy incentive for governments to under-invest in natural disaster mitigation and/or over-invest in natural disaster recovery?

No comment.

Getting the balance right between mitigation, resilience and recovery

How should the Commission assess the appropriateness of the level of mitigation, resilience and recovery expenditure?

No comment

Is there evidence on the cost-effectiveness of mitigation expenditure (in terms of reducing future disaster costs)?

In the case of the impact of Cyclone Yasi storm surge on Tully Heads, if the seawall was not in place, the devastation would have been significantly higher, most likely with loss of land due to significant erosion as well as loss of homes and infrastructure. Unfortunately the QRA have repeatedly stated that mitigation measures such as seawalls are not essential public assets in themselves, only if they protect essential public assets are they eligible for NDRRA funding. This then relates back to the Federal and State governments taking a consistent leadership role to either support 'rebuild or relocate'.

Existing funding arrangements did not support this approach until the Queensland and Federal Governments agreed in 2013 to provide specific funding for betterment works as a risk mitigation measure.

Are the current governance and institutional arrangements capable of achieving an effective and sustainable balance of mitigation, resilience and recovery expenditure?

No comment

Are the level and balance of natural disaster mitigation, resilience and recovery activities appropriate? Is there a case for changing them, either in absolute or relative terms?

No comment

In the absence of an alignment of asset ownership risk incidence and risk funding, is it possible for parties to move towards optimal risk management?

Arguably, we are. Engineering standards and the way we build our infrastructure has risk management at its core. Conflict arises between the Federal, State and Local Government on the terms “current engineering standards” and “restore to condition prior to the event”. Much of the infrastructure within our region was built in the 1950’s to a standard relative to that time. When considering roads, the number and type of vehicles has increased significantly. Rebuilding to current engineering standards means taking into consideration (but is not limited to) current climatic conditions, numbers and types of vehicles which is often viewed as ‘betterment’. Restoring to the condition prior to the event inevitably means we will continue to ‘restore’ this asset until it is rebuilt to current standards. Councils (particularly rural and remote) communities struggle to find the funding and resources on short notice (and after significant expenditure pre-event, during and post-event) to contribute to what is deemed ‘betterment’ when in reality it is current standard. So starts the cycle of continued restoration. This comes at a significant cost to all levels of government.

Allocating resources to the right mitigation, resilience and recovery options

What mechanisms and models are governments using to evaluate and prioritise natural disaster mitigation options? What mechanisms are used in other federations, such as the United State and Canada?

No comment.

What other approaches could be used to prioritise mitigation options?

No comment.

Do Local Governments in particular have appropriate capabilities to undertaken cost-benefit analysis of mitigation activities?

The answer to this question will vary from Council to Council and be dependent on the depth of analysis. Each Council will have the ability to undertake simplified analysis however, as the depth of analysis increases, the ability of Councils to undertake this ‘in house’ decreases. This is due to lack of skilled resources within a particular area, ie. remote versus rural versus regional versus city. Those Councils which most need this are the least likely to have the capabilities to undertake this.

Do the current arrangements provide an incentive for excessive rebuilding?

It appears the perception of the Federal government and QRA is that it does. However, I refer back to the argument on the definition of ‘current engineering standards’ which has been highlighted earlier.

Does the requirement for governments to show that ‘betterment’ options are ‘cost-effective’ reduce the likelihood of betterment projects being implemented?

The current betterment program needs to be extended. The current program funding is very limited and difficult to access in a timely fashion. Extension of this program would initially increase restoration costs, but in the long term, it should reduce the cost of subsequent programs. Extension of the betterment program would also make more sense to the community who cannot understand why roads are repeatedly fixed only to be damaged again because the additional funds required to upgrade the infrastructure are not available. The betterment program could be limited to drainage and road infrastructure.

The Federal Government needs to consider upgrading critical infrastructure in the prevention phase and betterment phases. There is no point just building back to current engineering standards. The majority of NDRRA funding is spent on roads infrastructure which needs to be made more resilient to prevent repeated damage.

There needs to be a stronger focus on betterment and less on bringing all restoration works up to 'current engineering standards'.

What mechanisms are available for businesses and communities to contribute to the costs of mitigation and recovery, where appropriate (for example, through the use of property-specific charges to fund some mitigation works).

Cairns Regional Council has used the Special Levy provisions in the Local Government Act to fund the construction of the Holloways Beach sea wall designed to protect the residential properties from the effects of erosion from the sea. The specific resolution is in box 2. Council has not chosen to use this approach for other such structures including Clifton Beach and Machans Beach. These decisions have been made by the Council of the day and is presumably based on their view of the benefits of the infrastructure to the broader Cairns community.

The LGAQ submission, and details on the financial constraints of Councils, articulate the difficulties of Councils and their communities to fund mitigation works.

Box 2 – Cairns Regional Council Resolution for Holloways Beach Sea Wall

That Council adopts the following in accordance with sections 92 and 94 of the Local Government Act 2009 and section 94 of the Local Government Regulation 2012:-

(1) Overall Plan

The overall plan was adopted by resolution of Council on 19 June 2003. For avoidance of doubt, that overall plan comprises:-

(a) The construction of a rock wall to protect the rateable land to which the special charge applies from inundation from the sea, and the subsequent repayment to Council of the cost of that construction.

(b) The rateable land to which the special charge applies is the parcels identified on the map bearing the notation “Holloways Beach Rock Wall – Stage 1”.

(c) The estimated cost for carrying out the overall plan is \$519,866 plus interest. In this regard, a loan of \$519,866 was drawn down in the 2003 year over a 20 year term and will form part of Council’s long term debt pool with Queensland Treasury Corporation.

(d) The overall plan commenced in July 2003 and will conclude in June 2023 upon the conclusion of the repayment of the loan to the Queensland Treasury Corporation.

(2) Annual Implementation Plan

The annual implementation plan for 2013/14 comprises continuation of the repayment of the 20 year loan identified in the overall plan.

Are land-use planning and infrastructure policies consistent with effective natural disaster risk management?

Is there a need for greater information provision and disclosure in planning decisions?

Yes, the community is known to have a level of confusion over flood models and mapping products and what they are used for. Particularly when the community holds fears over how insurance companies may use such public information about their property.

Planning schemes in Queensland do identify hazard areas and mapping of these are available to the public. However, it may be more appropriate to identify risks as a notification against individual properties so that when a person does a property search, prior to purchasing a property, they are advised as to the natural hazards that are present.

What impact do the current natural disaster funding arrangements have on land-use planning, risk reflective asset pricing and infrastructure investment decisions at the state and local levels?

There appears to be a conflict of intent and terminology when answering this question. What could be termed as 'betterment' could also be seen as 'gold plating'. The intent of 'betterment' is to improve the damaged asset to mitigate the risk of damage in future events however the intent of the NDRRA is to restore the asset to the condition it was prior to the event. Funding for betterment is difficult to obtain as it is presumed in some instances that Council is 'gold plating' – this is an easy stance for the Federal and State governments to take particularly under current budget constraints. Justifying betterment particularly in rural and remote Councils with limited access to technical expertise further delays the commencement work of the restoration work. This means in most cases it is easier to just restore the asset to its previous condition and standard.

The State Government recently consulted on the *Infrastructure Charges Bill* with implementation to commence on 1 July 2014. The regulation (yet to be publically released) articulates the development and contents of Councils' Local Government Infrastructure Plans. This Bill and regulation is not compatible with risk reflective asset pricing unless Council (the ratepayers) are prepared to subsidise the costs. This issue is further compounded on 'in fill' developments where existing or previous requirements were not as 'rigorous' as we would plan or condition today.

In all, unless the Federal and State Governments start to take a leadership role, Councils will continue to be stuck in a position with poor evacuation routes and rebuilding (after an event) in inappropriate locations. On this point, it is noted the Queensland Reconstruction Authority supported relocation of communities in South

East Queensland; the Federal and State Governments need to have a clear and implemented policy and strategy for either 'rebuild or relocate'.

What reforms to land-use planning and infrastructure investment would best support cost-effective risk management and understanding of the changes to the risk profile.

There would need to be stronger support provided at a State level for planning decisions restricting development in hazard prone areas. The State's position on minimising flood hazard risks is quite strong, but their position in relation to coastal hazards is much weaker.

The risks from natural hazards will only be reduced if there is less development in hazard prone areas, or if development in those areas is designed to withstand the hazards that are present. This leadership needs to come from the State Government.

There also is a requirement for a consistent (Federal/State/Local Government) risk guide. A national hazard assessment standard/methodology would assist all levels of government to identify targets and infrastructure standards which should be met across the nation. An example may be sewerage treatment plants – identify all hazard risks that could impact on the infrastructure element and advise the levels of risk and standards of mitigation we (public and private) need to meet, ie. distance from fire hazard, erosion/storm surge zone etc. This should also relate to replacement. This then links to the debate on 'gold plating' versus 'betterment' versus 'current engineering standards'.

4. What reform options are available?

Substantial changes to the system

Do you have proposals for substantial reform options to natural disaster funding arrangements for the Australian and State and territory governments?

We do not have substantial reform options however; we have identified issues and proposed some solutions for both the Federal and State Governments which can be found in Appendix A "*FNQROC Submission on the NDRRA Guidelines and State Implementation*". The most significant for this region is the issue of 'Day Labour'. It is stated as not substantial as the use of 'day labour' has been considered eligible for a significant number of years and whilst there has been a 'crack down' on the eligibility of 'day labour' the Federal and State Governments have supported this use on a case by case basis after considerable advocacy work by councils. In this region it is proven cost effective however, councils need some reassurance into the future so that we can plan our workforce and structures.

Traditionally Council have sized their outside road work force to undertake Council's road and drainage maintenance, NDRRA works, State Government Road Maintenance Performance Contracts (RMPC) and the occasional State Government local construction project. With the State Government reducing RMPC expenditure and the Federal Government not allowing day-labour to undertake NDRRA works, Local Governments are being forced to reduce the size of their outside work force. This in turn reduces the Council's capacity to respond to future disaster events. If this trend continues, Council's ability to respond quickly to disaster events will be limited.

Not identified within Appendix A are the deadlines for expenditure. We acknowledge that deadlines are required however they should not be focused on completion of the works. Commitment (signed contract) to undertake the works would be a preferred deadline timeframe. This would allow us the flexibility to undertake the works in the optimum construction time (in Far North Queensland this is generally May to November). Current deadlines for expenditure are generally for 30 June; presumably this is for budgetary purposes however strict adherence to these deadlines is costing the Federal and State governments significantly more for these works. Placing a deadline on completion of works means:

- a. There are a significant number of works being contracted out for completion at the same time resulting in premium quotes.
- b. There is no scope for extension of time for practical completion due to unforeseen circumstances, such as rain events, which means the same amount of work needs to be further compacted within the timeframes at a significant higher cost.

What impact would each option have on the incentives of each level of government to make good risk management decisions?

No comment.

What impact would each option have on the costs and incentives of individuals, businesses and non-government organisations to manage natural disaster risks?

No comment.

How would they impact on the Australian economy and each level of government, relative to current arrangements?

No comment.

Should conditions be attached to Australian Government financial assistance to other levels of government? Should funding be linked to particular reforms by State or Territory Governments?

No comment.

What would be the advantages and disadvantages of making substantial changes to the natural disaster recovery funding arrangements (such as recommended by the National Commission of Audit)?

Substantial changes to the funding arrangements will potentially have a significant impact on Local Government. Please refer to Appendix B which is an assessment undertaken by Cummings Economics on the impact of NDRRA on Cook Shire Council. This assessment looks at the roles of funding from National Disaster Relief and Recovery Arrangements in relation to roads in Cook Shire, the ability of the Shire to meet a request that it covers part of the costs involved in delivery of NDRRA funded works and the economic impact if the shire was unable to continue with NDRRA road works.

The Cook Shire Council case is not dissimilar to other rural and remote Councils. It is requested that any change considered be impact-tested on other Councils similar in location, remoteness, rate base etc., to that of Cook Shire Council.

What would be the advantages and disadvantages of retaining the current NDRRA, but with reforms to the threshold and contribution levels?

Any additional cost burden on Local Governments will have a significant impact and the Commission is requested to seriously consider the financial impact upon Councils. Noting that access to state subsidies have halved over the past five years, Roads to Recovery funding has not seen any CPI or construction index increase, and potential Financial Assistance Grants will be frozen.

What lessons have been learnt in other countries that may be applicable for Australia? Are there natural disaster funding or governance models used elsewhere that may be suitable for Australia?

No comment.

5. Implementing reforms

What transitional arrangements should be considered to assist with the implementation of reforms?

This will depend on the extent of reforms.

How should reforms be sequenced?

This will depend on the extent of reforms.

Who should be responsible for implementing the reforms?

This will depend on the extent of reforms.

Are transitional financial arrangements required?

This will depend on the extent of reforms.

When should the reforms be reviewed and evaluated?

This will depend on the extent of reforms.

Appendix A

FNQROC Submission on the NDRRA Guidelines and State Implementation

August 2012



► FNQROC Submission on the NDRRA Guidelines and State Implementation

Federal and State submission

Far North Queensland Regional Organisation of Councils ► August 2012

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Executive Summary

Far North Queensland Regional Organisation of Council (FNQROC) member councils over the years have been lauded by the Federal and State Governments as best practise for Counter Disaster Operations, Emergent Works and Restoration. They have refined their processes and structures to meet the needs of their communities' pre, during and post a natural event which in most cases, occur annually.

Council's intent has always been to get best value for money for both the tax and rate payer. As the face of the community, it is councils that bear the brunt of any perceived inefficiencies and wastage of funds. The Federal and State intention is also to get value for money and how this occurs should be irrelevant as long as the works undertaken meet minimum quality standards.

It is acknowledged the NDRRA Guidelines have changed very little over the years; however since the 2010/2011 natural disasters in Queensland, the interpretation of these guidelines certainly has, with little or no clarity of direction for implementation. This change in interpretation has caused significant frustrations in this region, "How can our systems and processes be lauded as best practice one year and ineligible the next?"



Figure 1 Chatham Terrace 2009



Figure 2 Lake Morris Road 2011

Nowhere within the guideline does it say that council's full time employee costs cannot be reimbursed. Some councils, through virtue of the annual nature of these events have employed specialised individuals primarily to manage these year on year events. Councils are aware that if an event does not occur they will carry the liability of this expertise – this is a risk they are prepared to take. At the very least, if it is deemed that full time employees (where councils can validate they only work on restoration efforts) are not eligible, then these councils should be offered the opportunity to

transition to a new structure. Councils within this region have a number of case examples where they would have been able to deliver restoration works at a lesser cost than contractors, yet the interpretation of the guidelines prevented this from occurring.

In developing this submission, Value for Money is foremost in our minds. The recommendations submitted for consideration by both the Federal and State Governments is around this philosophy both directly (prequalification of councils against the market) and indirectly (documented processes and interpretations).

In summary the recommendations for the Federal and State Governments are:

Federal:

- F1 That an annual feedback and review process of current, interim and proposed guidelines is undertaken with Local, State and Federal input (positive and negative).
- F2a That the State and Federal Government resolve or clarify the audit requirements.
- F2b That the responsible State and or Federal Government officers work in partnership with FNQROC technical officers to assess and streamline this process to provide efficiencies in audit requirements.
- F3 That more information is provided within the NDRRA guideline and a definition or documented process is undertaken for previously damaged assets.
- F4 Within section 4 of the new value for money pricing guidelines include the option for councils to go through a prequalification process every two years.
- F5 Emergent works be included as part of the Local Government Value for Money Pricing Guidelines.
- F6 That the requirement for councils to contribute 10% of the day labour component capped at 10% of its rate/utility base be removed as it unfairly affects those councils in disaster prone areas.

State:

- S1 That an annual feedback and review process of current, interim and proposed guidelines is undertaken with Local, State and Federal input (positive and negative).
- S2 That the State Government engages Local Government prior to making a Federal submission on NDRRA Guidelines.
- S3a Within section 4 of the new value for money pricing guidelines it is requested that the QRA encourage the Federal Government to include the option for councils to go through a prequalification process every two years.
- S3b It is requested that the QRA provide examples to the benchmarking options that would satisfy their needs.

- S4a That the State Government advocate for the inclusion of Council day labour for Counter Disaster Operations within the new Local Government Value for Money Pricing Guidelines.
- S4b The State Government clarify the role and approval authority of Emergency Management Queensland (EMQ) and QRA.
- S5 The State Government advocate for the inclusion of emergent works as part of the Local Government Value for Money Pricing Guidelines.
- S6a That the State Government advocate the removal of the requirement for councils to contribute 10% of its day labour costs capped at 10% of its rate/utility base be removed as it unfairly affects remote councils and those councils in disaster prone areas.
- S6b The State Government review its interpretation of day labour.
- S7 The 'unwritten' document needs to be documented. It is requested the State develop a framework to provide interpretation or intent as they see it.
- S8 That the State Government define current engineering standards in writing to eliminate the many unwritten rules that change depending on who council speaks to.
- S9 That in the interim (prior to further NDRRA guidelines), the State Government provide a definition and documented process for previously damaged assets to provide councils with some certainty.
- S10a That the State develops a customer service charter which spells out the service level response times of both the State and Local Governments.
- S10b That Approval letters include a summary of assessment or scope.
- S11 That the State and Federal Government resolve or clarify the audit requirements.
- S12a That all the reporting requirements be linked within one spread sheet or database i.e. a program management tool that allows QRA to be updated in real time with the same document to be used internally for councils – could very easily be one report.
- S12b That the State streamline the number of forms with any changes to the forms being undertaken in the 'off season' with Local Government consultation.
- S12c It is also requested that the State Government bring back annual training with an emphasis on:
- interpretation of the guidelines,
 - what could and could not be claimed with a series of case studies showing damage approved for funding and defects not approved, and
 - Completion of forms.

Introduction

Far North Queensland Regional Organisation of Councils (FNQROC) member councils cover the Local Government areas of:

1. Cairns Regional Council
2. Cassowary Coast Regional Council
3. Cook Shire Council
4. Croydon Shire Council
5. Etheridge Shire Council
6. Hinchinbrook Shire Council
7. Tablelands Regional Council
8. Wujal Wujal Aboriginal Shire Council, and
9. Yarrabah Aboriginal Shire Council

Many of these member councils face year on year natural events and have set up their processes and structures to deal specifically with counter disaster operations (CDO), emergent works and restoration.

Over the years, we have become proficient in the delivery of services to our communities in line with long established processes and procedures.

Post the extraordinary events in Queensland, the existing processes and procedures and the interpretation of the Natural Disaster Recovery Relief Arrangements (NDRRA) are a moving target causing significant concern to member councils and delivery of services to their communities.



Figure 3 Bloomfield causeway 2011

FNQROC would like to thank the Attorney General Nicola Roxon and Minister Joseph Ludwig for taking the time to meet with member councils to discuss their concerns. Through these discussions, it is acknowledged that different Federal and State departments share the responsibility of the development of the NDRRA guidelines and the implementation.

In response to the meeting held with Minister Ludwig 26 July 2012, FNQROC agreed to document the issues and make recommendations for both the Federal review of the guidelines and for State consideration in the delivery of these guidelines within Queensland.

In developing our submission we have separated the recommendations into what we understand to be Federal and State responsibility. It is also believed that there is benefit in both levels of Government having the ability to review our submission to their counterparts.

In presenting our submission, we would like to acknowledge:

- a) The Federal Government is traditionally guided by the State in terms of policy amendments. We thank Attorney General Roxon and Minister Ludwig for taking the time to meet with us in May and July. We would like to think that the State will consider the contents of both the Federal and State sections in their dealings with the Federal Government.
- b) We understand that Federally, different departments are responsible for different sections of the NDRRA Guidelines.
- c) This submission has been developed with specific reference to Category B – Restoration of Essential Public Assets
- d) The new Local Government Value for Money Pricing Guidelines (LGVFMPG) are on trial for 2012 however our submission also considers the long term ongoing nature of the NDRRA's.
- e) Our submission is focussed on obtaining Value for Money and it is acknowledged that our recommendations may in the future mean contractors will be more competitive in a different market.
- f) The NDRRA Guidelines are based around all natural disasters (as articulated within the guidelines) not just cyclones and flooding.



Figure 4 Marina Plains Road 2011

Federal Submission

Natural Disaster Recovery Relief Arrangements Guidelines

Annual feedback and review process

Recommendation:

- F1 That an annual feedback and review process of current, interim and proposed guidelines is undertaken with Local, State and Federal input (positive and negative).**

Given member councils are in natural disaster prone areas, they would be eager to provide feedback on current, interim and proposed guidelines. It was acknowledged that we need to also focus on those areas that work well to ensure they are maintained into the future.

Extreme Audit requirements

Recommendation:

- F2a That the State and Federal Government resolve or clarify the audit requirements.**
- F2b That the responsible State and or Federal Government officers work in partnership with FNQROC technical officers to assess and streamline this process to provide efficiencies in Audit requirements.**

In relation to the audit requirements, the State and Federal Governments are passing accountability to each other for the overzealousness of auditing. Ideally between the two, we would like some resolution with regard to appropriate audit requirements. To date, Cook Shire Council has been through 3 audits:

1. Queensland Audit Office (QAO) audit;
2. Extraordinary Queensland Reconstruction Authority (QRA) audit, and
3. QRA flood damage specific audit undertaken by the QAO.

Cairns Regional Council has had:

1. Special QAO audit (emergent and restoration),
2. Emergent submission audit,
3. Value for Money (VFM) audit of the overall (emergent and restoration) process,
4. Audit of the restoration Submission, and
5. They have no doubt they will be audited again when they make claim for payment. For each claim each of the councils are also required to submit a complete transaction list – full ledger printout.

In relation to Counter Disaster Operations, each council was required to submit a hard copy of every invoice together with relevant delivery dockets. From this information councils have had to deal with a significant number of inane questions such as: Why an excavator was dropped off in front of a business?

- ? Why was traffic control needed?
- ? Why could council not reuse plastic sheets used in the disaster centres for the elderly and infirmed? (value of this discrepancy was in the order of \$250)
- ? Why thirst quenchers were claimed? (value of this discrepancy was in the order of \$500 and required as part of PPE and Workplace Health and Safety)
- ? The list goes on.

We question the cost benefit of the high frequency of these audits (as a collective) and the forensic nature of these reviews.

There is no argument that an audit function is required however, we suggest the responsible State and Federal officers are identified and in partnership with FNQROC technical officers, these audit requirements are assessed and streamlined to provide efficiencies.

Previously Damaged Assets (Ancillary / Re-damaged Assets)

Recommendation:

F3 That more information is provided within the NDRRA guideline and a definition or documented process is undertaken for previously damaged assets.

The ability to acquit this information is difficult for mainstream councils, and particularly difficult for indigenous councils. There are no clear determination on this that we can go forward with. There is no guidelines, QRA has no documented process and are advising to resubmit under the new event (transferring the whole submission). This process significantly delays restoration works.

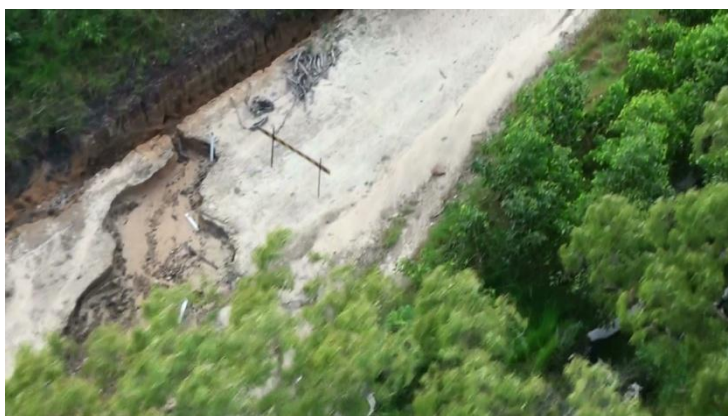


Figure 5 Web-wakooka 2011

A lack of confidence in the approval process means that works are occurring sporadically, that is, on a road there may be damage attributed only to 2010, damage that is attributed to 2010 and 2011 and damage only attributed to 2011. Local Government is facing public perception of inefficiency when

they see some works on that road being complete and others

not when they (councils or contractors) are working in that area. The sporadic nature is due in part to 'previously damaged assets' interpretation and subsequent delay in assessment

and to the lack of confidence that the works will be approved by the State (note: a recommendation has been made to the State Government on both these issues).

This issue also causes an increase in costs with work crews having to leave site and return at a later date. This has not been an issue in previous years and is acknowledged as an interpretation issue by the State however clarity within the guidelines will assist in this process and in the timely and efficient completion of restoration works.

Local Government Value for Money Pricing Guidelines (LGVFMPG)

Benchmarking

Recommendation:

F4 Within section 4 of the new value for money pricing guidelines include the option for councils to go through a prequalification process every two years.

The benchmarking options while welcomed here has the potential to:

- a) Be convoluted by interpretation
- b) Limit or reduce tenders received from potential contractors

It is very difficult for works to be benchmarked against each other, it is very rare to find 'like' works and it is difficult to find similar size councils in similar circumstances.



Figure 6 Lakefield Road 2010

We will have difficulty within a short period of time with accessing market costs with tenders the expectation that tenders submissions will reduce or cease if industry feels it is only for market testing. Cook Shire Council put out a significant tender for works and only received two responses, one

of which was their own with the other x% over councils tendered rates. It should also be noted that each tender released by council costs on average between \$20,000 and \$40,000.

Engagement of contractors has also historically resulted in 'gold plated' design and construct as this is where they get a higher return. Local Government however, is cognisant of the spend and historically has designed 'fit for purpose' resulting in a lower cost options being evaluated.

Engaging contractors to undertake all works effectively results in duplication of project management; contractor charges for project management and councils need to project manage the contractor.

Undertaking a benchmarking process for every type of job will be a tedious task, hence a prequalification process would be beneficial for Local, State and Federal Governments. We don't perceive the value in going through a benchmarking process for every type of job, our recommendation is that councils go through a prequalification process every two years.

Once this prequalification status is granted, this would remove the requirements to seek additional tenders or quotes during the term of the agreement and could also decrease the number of interim audits to the QAO annual audit and one adhoc.



Figure 7 Croydon Shire Council 2008

It should be acknowledged that the material component unit rate stays relatively constant across Local Government and industry, differences will come from the day hire rates (plant and day labour) and travel to put the material in place.

It is believed Councils in Queensland can demonstrate value for money through Road Maintenance Performance Contracts (RMPC). The Department of Transport and Main Roads (DTMR) also have access to market rates through their contract activities, and through these that they are able to assess Councils against the market. It is through this knowledge they are able to prequalify Councils through RMPC's. Regional departments of DTMR are also able to offer their comment on Councils labour costs based on their knowledge of the local regional area.

Emergent Works

Recommendation:

F5 Emergent works be included as part of the Local Government Value for Money Pricing Guidelines

As an example, Tablelands Regional Council (64,768 square kilometres) went to the market for emergent works services. They received 3 responses which were considered effectively non-conforming as they did not have the capacity to deliver to the region, or have the systems in place to meet reporting obligations.

Whilst emergent works can be difficult to benchmark, it is believed recommendation F4 regarding prequalification could be utilised for benchmarking.

Councils Contribution

Recommendation:

F6 That the requirement for Councils to contribute 10% of the day labour component capped at 10% of its rate/utility base be removed as it unfairly affects those Councils in disaster prone areas.

Councils across the top of Australia face year on year natural disaster events (predominately cyclone and or flood). These are Councils with a relatively low rate base however these areas also bring in a higher than average per capita return (mining, agriculture and tourism) to the Australian and State economy. It should also be noted that our region is also not within the boundary for Royalties for the Regions. The Hawker report also notes that there is little capacity for Councils to increase rates.

The potential for additional cost to Councils is obvious. By way of example 10% of each individuals Council's rate base is listed below:

Cairns Regional Council	\$9,695,700
Cassowary Coast Regional Council	\$2,585,300
Cook Shire Council	\$270,800
Croydon Shire Council	\$23,300
Etheridge Shire Council	\$154,200
Hinchinbrook Shire Council	\$1,377,800
Tablelands Shire Council	\$2,417,900
Wujal Wujal Aboriginal Shire Council	\$N/A
Yarrabah Aboriginal Shire Council	\$N/A

This is on top of the existing trigger points (.75% of Rate Revenue as provided by the QRA for 2011/2012) in place which Councils are required to contribute for each declared event. That is, Councils could be up for a number trigger point contributions if there is more than one event. For this region, Councils contribution to each event is:

Cairns Regional Council	\$727,178
Cassowary Coast Regional Council	\$193,683
Cook Shire Council	\$20,310
Croydon Shire Council	\$1,748
Etheridge Shire Council	\$11,565
Hinchinbrook Shire Council	\$103,335
Tablelands Shire Council	\$181,343 (note 2010/2011 trigger was \$259,000)
Wujal Wujal Aboriginal Shire Council	\$N/A
Yarrabah Aboriginal Shire Council	\$N/A

This is on top of Councils carrying

- a. Day labour costs associated with Emergent works. Councils are appreciative of the one off grant funding (between \$1mil and \$1.5mil per Council) provided to cover day labour costs for emergent works however; it is acknowledged that this will not be an option into the future. Even with this funding, for the 2010/2011 events, Councils still contributed:
 - a. Cassowary Coast Regional Council - \$1.74mil
 - b. Cook Shire Council - \$505,000 (Cyclone Tasha and Anthony)
 - c. Etheridge Shire Council - \$140,037, and
 - d. Hinchinbrook - \$33,306
- b. a loss in interest revenue; as an example Hinchinbrook Shire Council interest revenue budget was down by \$522,000 which is primarily attributed to undertaking NDRRA works while they wait for a Working Capital Facility



Figure 8 Archer River 2006

In addition to these figures, it is estimated that the administrative component (Administration support staff, training, office space, floating plant, office equipment and supply) that Councils contribute behind the scenes during CDO, emergent and restoration is equal to approximately 5% of the restoration works. It is acknowledged that this percentage decreases as the cost of restoration increases but in return, the net cost to Councils does increase as restoration costs increase.

It is not financially sustainable for the Local Governments of remote and disaster prone regions to carry this additional burden especially when it is clearly evident that in the current market Councils can undertake works at approximately 30% less than current tenders supplied. Pre-qualification will give the State and Federal Governments' confidence that they are getting the best value for the dollar. It is acknowledged that in future, Councils may not be competitive and may have to wear the difference if they want to undertake the works themselves.

It is also acknowledged that significant disaster events such as those of 2011 will require external resources if the restoration works are to be delivered within reasonable timeframes.

The current contribution requirement will push medium to large rural Councils down the contractor route thus increasing the cost to State and Federal Governments. If we are saving the State and Federal Governments money we should not be penalised, and the requirement to make a substantial contribution appears contrary to the spirit of the trial. Surely the desired outcome is quality work at the best price regardless of who performs it.

We can't help wondering if the State interpreted the guidelines differently whether this would even be an issue (See recommendation S6b).

State Submission

Annual feedback and review process

Recommendation:

- S1 That an annual feedback and review process of current, interim and proposed guidelines is undertaken with Local, State and Federal input (positive and negative).**

Given member Councils are in natural disaster prone areas, they are willing to provide feedback on current, interim and proposed guidelines. It was acknowledged that we need to also focus on those areas that work well to ensure they are maintained into the future.

Local Government input

Recommendation:

- S2 That the State Government engage Local Government prior to making a Federal submission on NDRRA Guidelines.**

With regard to Local Government input, we question Local Governments contribution to the QRA cabinet submission to the Federal Government which contributed to the recent release of the Local Government Value for Money pricing guidelines. We welcome the apparent championing of Local Government issues at the Federal level, however we are concerned that Local Government and at the very least the Local Government Association of Queensland (LGAQ) was not involved in the cabinet submission, if only to view it. This lack of transparency makes it difficult to ascertain if the resulting interim guidelines are attributed to the State or Federal Government.

Local Governments, particularly in this region would relish the opportunity to provide feedback on current, interim and proposed guidelines in the future. It is Local Government that delivers this work on ground (both internally and via contractors).

Local Government Value for Money Pricing Guidelines

Benchmarking

Recommendation:

- S3a Within section 4 of the new value for money pricing guidelines it is requested that the QRA encourage the Federal Government to include the option for Councils to go through a prequalification process every two years.**

S3b It is requested that the QRA provide examples to the benchmarking options that would satisfy their needs.

As identified in the Federal Government component of this submission, we would like to include the option of Councils going through a prequalification process every two years. Prequalification does not take away the State or Federal Governments' right to query the costs as they do any other submission.

The benchmarking options while welcomed, have the potential to:

- a) Be convoluted by interpretation
- b) Limit or reduce tenders received from potential contractors (in addition to this, each tender released costs Council on average between \$20,000 and \$40,000)

It is very difficult for works to be benchmarked against each other, as it is very rare to find 'like' works and it is difficult to find similar size Councils in similar circumstances.

We will have difficulty within a short period of time with accessing market costs with the expectation that tender submissions will reduce or cease if industry feels it is only for market testing. Cook Shire Council put out a significant tender for works and only received two responses; one was their own and it should be noted that the contractor was 79% dearer than Council for their Works Manager (day rate), 32% dearer for their foreman and 19% dearer for their gangers.



Figure 9 Hans near Yarraden 2006

able to compare costs on a like for like basis. Pre qualification would remove the requirement for Councils to benchmark or go through a tendering process for every submission.

The RMPC is also a published document which gives universal transparency in benchmarking. Activities performed under an RMPC contract are standardised and detailed documentation is published.

Benchmarking or prequalification is currently undertaken by the Department of Transport and Main Roads (DTMR) as part of the Roads Maintenance Performance Contract (RMPC) or Agreed Price Performance Contracts (APPC). If the Department of Transport and Main Roads process doesn't make us a prequalified supplier what does? The State should be able to ascertain if Council is in or under market rates. Currently, other than the

RMPC or the APPC, there is no standardisation of an activity to be

Engagement of contractors has also historically resulted in 'gold plated' design and construct as this is where they get a higher return. Local Government however, is cognisant of the quantum of the spend and historically has designed 'fit for purpose' solutions resulting in reduced cost options being considered.

Engaging contractors to undertake all works results effectively in duplication of project management; contractor charges for project management and Councils need to project manage the contractor.

Undertaking a benchmarking process for every type of job will be a tedious task, hence a prequalification process would be beneficial for Local, State and Federal Governments. We don't perceive the value in going through this benchmarking process for every type of job. Our recommendation is that Councils go through a prequalification process every two years.

It should be acknowledged that the material component unit rate stays relatively the same across Local Government and industry, differences will come from the day hire rates (plant and day labour) and transport costs to deliver materials to site.

Regional departments of DTMR are also able to offer their comment on Councils labour costs based on their knowledge of the region.

Counter disaster operations

Recommendation:

S4a That the State Government advocate for the inclusion of Council day labour for Counter Disaster Operations within the new Local Government Value for Money Pricing Guidelines.

S4b The State Government clarify the role and approval authority of Emergency Management Queensland (EMQ) and QRA

The Day Labour of Counter disaster operations should be considered for reimbursement based on the arguments for emergent works and Councils contribution.

Of particular interest is the collection of vegetation from residents properties put out to the kerb. Councils could not claim the waste collection and this is not covered in emergent works – it is considered under Counter Disaster Operations. Under this interpretation, as an example, and in relation to Cyclone Yasi:

- Cairns regional Councils day labour component for this collection was \$1mil which under normal circumstances could not be claimed.
- Cassowary Coast Regional Council, day labour component was \$x which has not been reimbursed, as the argument on reimbursement has not yet been clarified.

It is understood that emergent clean up from roads is claimable. Emergency Management Queensland (prior to the establishment of the QRA) approved the collection of waste from peoples yard placed on the kerb like any other time however QRA are now saying no to this

day labour component. For Cyclone Larry this collection was claimable to the extent that Council could go into individual properties to collect green waste. EMQ gave this permission under the guidelines.

It is understood that historically, EMQ authorise this activity and it came from their budget but the QRA is now arguing this approval which is based on their interpretation. There appears to be an issue between the two departments and the interpretation of the guidelines.

Emergent Works

Recommendation:

S5 The State Government advocate for the inclusion of emergent works as part of the Local Government Value for Money Pricing Guidelines.

As an example, Tablelands Regional Council (64,768 square kilometres) went to the market for emergent works services. They received 3 responses which were considered effectively non-conforming as the tenderers did not have the capacity to deliver services to the whole region and did not have systems in place to meet reporting obligations.

Whilst emergent works can be difficult to benchmark, it is believed recommendation S3a regarding prequalification could be utilised for benchmarking.

If emergent works were to become eligible it should be acknowledged that this is difficult to benchmark however, it could be benchmarked against hourly unit rates for plant, equipment and labour against DTMR or their existing contractor rates.

Councils Contribution

Recommendation:

S6a That the State Government advocate the removal of the requirement for Councils to contribute 10% of its day labour costs capped at 10% of its rate/utility base be removed as it unfairly affects remote Councils and those Councils in disaster prone areas.

S6b The State Government review its interpretation of day labour.

As identified within the Federal component of this submission, this requirement unfairly discriminates against those Councils in disaster prone regions. On investigation the contribution required, appears to target medium to large rural Councils. Please see Federal Government segment with regard to the costs Councils currently contribute. In looking at these figures, Tablelands Regional Council, Cassowary Coast Regional Council and Cairns Regional Council contributions are unsustainably high. This requirement does not entice Councils to undertake the works themselves as the rate payer and existing infrastructure due for renewal will suffer as a consequences of this decision. This will then mean the tax payer is penalised as the Federal and State Governments are not achieving value for money. It is believed this issue has come to the fore primarily due to the QRA interpretation of the following section:

4.4.9 c) Normal maintenance and administration costs. This includes salaries, day labour costs, and other ongoing administrative type expenditure which would have been incurred even if the disaster had not incurred;

Nowhere in the guidelines do you see 'no full time employees'. The guidelines haven't changed, the states interpretation has. If this interpretation is to continue, at the very least Councils need time to transition their corporate structures however, this is not our preferred option.

We cannot help feeling that it is the interpretation of the guidelines by the QRA or pressure from the State and Federal Government to reduce the cost of restoration works that has caused this issue. This interpretation is causing Council's to re-evaluate their method of delivery to a contractor service which on review can be shown to run counter to the requirements to deliver Value For Money.

Natural Disaster Recovery Relief Arrangements – Guidelines

Inconsistency in decision making - approvals

Recommendation:

S7 The 'unwritten' document needs to be documented. It is requested the State develop a framework to provide interpretation or intent as they see it.

Councils have constantly been told throughout the process that the QRA would only approve scope however there are many case studies where this has not been the case when it has come to accepting tenders or claiming for those works. It appears more and more that the QRA is approving both the scope and tender value before Councils can proceed. We have no issue with this but it proves especially frustrating when Councils are not confident with the information we are receiving yet we are still being encouraged to commence works prior to formal approval. In one instance the QRA approved the scope of a submission and estimated quote however when the tender came in at twice that estimate the QRA deemed that the scope should be reviewed and is now carrying out a Value Engineering Assessment in an attempt to try and reduce the cost by 50%. This is all despite the QRA still saying to Councils they will pay on actuals as long as the scope has been met when in fact, this is not the case. This lack of clarity and confidence is a contributing factor to the delay in restoration works proceeding.

As part of this process, we would like clarification regarding backfilling reimbursement – Councils have had advice that the reimbursement is the less of the two (the person backfilling vs the person being backfilled). It should come as no surprise that the person backfilling will be a high cost (due to it being a consultancy, casual or short term contract) to the person being backfilled. This is yet another unidentified cost burden that Councils are carrying.



Figure 10 Croydon Shire Council 2009

Timeliness of Delivery:

All delivery models have inherent and sometimes significant lag times associated with grant application preparation, reviews by approving agencies, engineering design documentation, tendering, reporting obligations, contractor mobilisation and construction. The current frameworks established with the QRA and it is assumed Federal Government demonstrates there is a lack of trust on the part of the various agencies involved and that this lack of trust is manifesting itself in overly onerous and restrictive processes. Should there be any

doubt as to why the restoration works have been slow to appear one should not need to look further than the approvals process and obligatory delivery by external contractors.

Definition of current engineering standards

Recommendation:

- S8 That the State Government define current engineering standards in writing to eliminate the many unwritten rules that change depending on who Council speaks to.**

This is linked to the recommendation S7, inconsistency in decision making. This region has a number of examples of where the 'engineering' strength of an asset has been misinterpreted as a service level or function. It appears that the QRA keeps tangling current engineering standards with betterment. An example of this is a single lane timber bridge being replaced with a single lane concrete bridge.

One Council has been hit with the question "Where are the design standards written in legislation?" It is obvious that this question was raised by someone with no basic engineering knowledge yet these individuals are assessing submissions and claims.

There appears to be a significant number of unwritten rules around this topic. There is the QRA interpretation, Federal Government interpretation and Council interpretation based on historical experience. Within the QRA you can consult three different people and receive three different answers. This makes it extremely difficult for Councils to undertake works prior to definite approval of scope and costs as they are not confident they will be reimbursed. Some Councils within the State have taken to 'window shopping' within the QRA to get the answer they are looking for. This is neither beneficial for Councils or the State.

Previously Damaged Assets (Ancillary / Re-damaged Assets)

Recommendation:

- S9 That in the interim (prior to further NDRRA guidelines), the State Government provide a definition and documented process for previously damaged assets to provide Councils with some certainty.**

As documented within the Federal section of this submission, the ability to acquit this information is difficult particularly for indigenous Councils. There is no clear determination on this that we can go forward with. There are no guidelines, QRA has no documented process and are advising Councils to resubmit under the new event (transferring the whole submission). This process significantly delays restoration works.



Figure 11 Mayers St 2009

A lack of confidence in the approval process means that works are occurring sporadically, that is, on a road there may be damage attributed only to 2010, damage that is attributed to 2010 and 2011 and damage only attributed to 2011. Local Government is facing public perception of inefficiency when they see some works on that road being complete and others not when they (Councils or contractors) are working in that area. The sporadic nature is due in part to 'previously damaged assets' interpretation and subsequent delay in assessment and to the lack of confidence that the works will be approved by the State (note: a recommendation has been made to the State Government on both these issues).

This issue also causes an increase in costs with work crews having to leave site and return at a later date. This has not been an issue in previous

years and is acknowledged as an interpretation issue by the State however clarity within the guidelines will assist in this process.

Resolution of this issue will assist in timely and efficient completion of restoration works.

Response Service Levels

Recommendation:

S10a That the State develops a customer service charter which spells out the service level response times of both the State and Local Governments.

S10b That Approval letters include a summary of assessment or scope.

In terms of case examples:

- a. Tablelands Regional Council has a piece of correspondence that has not been responded to in four months.
- b. Cook Shire Council has an outstanding extension of time (EOT) related to Cyclone Olga which has been with the QRA for three months.
- c. Croydon Shire Council has also put in an EOT which has not been responded to. When seeking a response from the QRA they are advised that they are still assessing it.

All of the Councils have examples where they have been waiting a significant amount of time for clarification or approval and in return they are requested to respond within 24 – 72 hours or it is deemed they accept the terms. This expectation is unrealistic and biased in nature.

With regard to approval letters, before an approval letter is sent there is a significant amount of toing and froing to get an agreed scope and estimated value but many of the approval letters do not reflect prior discussions. It is requested that a summary of assessment or scope is included. There are many examples where claim is for \$x and the approval letter is for \$x-y and asking Council if they are happy with that. The issue arises when there is no assessment included within the correspondence in terms of which part they are agreeing to and which they are not.



Figure 12 Lake Morris Road 2009

Cairns Regional Council has yet to have its Cyclone Yasi submission approved. Whilst this submission was only made February/March 2012 this was done so on the advice of the QRA. They were advised not to submit it until the QRA had come to inspect the works to be undertaken. They were also advised that this process would help expedite the approval process. The inspection took some time to occur and in the meantime the QRA kept changing their mind on what would and would not be approved and the required documentation. The Cairns Regional Council submission has only just cleared compliance and now has to go through Value for Money. It is acknowledged the QRA have undertaken to expedite the VFM status.

The exception was where one Council used LGIS who subcontracted KPMG. Through this process there were a significant number of changes in interpretation which affected the submission development so the submission collation process was significantly extended but QRA were kept informed along the way which subsequently resulted in a quicker QRA approval but the whole process took a long time – longer than Cyclone Larry (as a comparison) and the significant consultancy costs involved in this process is questioned.

All Councils have experienced significant delays in the approval process due to confusing and conflicting approvals; this was very evident when Councils were in the room collectively to develop this submission. It was identified that some Councils received approval for works/activities where others had not.

Extreme Audit requirements

Recommendation:

S11 That the State and Federal Government resolve or clarify the audit requirements.

With relation to the audit requirements the State and Federal Governments are passing accountability to each other for the overzealousness of auditing. Ideally between the two, we would like some resolution with regard to appropriate audit requirements. To date, Cook Shire Council has been through 3 audits:

1. Queensland Audit Office (QAO) audit;
2. Extra ordinary QRA audit, and
3. QRA flood damage specific audit undertaken by the QAO.

Cairns Regional Council has had:

1. Special QAO audit (emergent and restoration),
2. Emergent submission audit,
3. Value for Money (VFM) audit of the overall (emergent and restoration) process,
4. Audit of the restoration Submission, and
5. They have no doubt they will get audited again when they make claim for payment.
For each claim each of the Councils are also required to submit a complete transaction list – full ledger printout.

In relation to the Counter Disaster Operations, each Council was required to submit a hard copy of every invoice inclusive of delivery dockets. From this information Councils have had to deal with a number of inane questions such as:

- ? Why an excavator was dropped off in front of a business?
- ? Why was traffic control needed?
- ? Why Council could not reuse plastic sheets used in the disaster centres for the elderly and infirmed? (value of this discrepancy was in the order of \$250
- ? Why thirst quenchers were claimed? (value of this discrepancy was in the order of \$500 and required as part of PPE and Workplace Health and Safety)
- ? The list continues

Reporting requirements

Recommendation:

- S12a** That all the reporting requirements be linked within one spread sheet or database i.e. a program management tool that allows QRA to be updated in real time with the same document to be used internally for Councils – could very easily be one report.
- S12b** That the State streamline the number of forms with any changes to the forms being undertaken in the 'off season' with Local Government consultation.
- S12c** It is also requested that the State Government bring back annual training with an emphasis on:
- interpretation of the guidelines,
 - what could and could not be claimed with a series of case studies showing damage approved for funding and defects not approved, and
 - Completion of forms.

Councils are currently completing:

- a. Day rates statement
- b. Activity Rates
- c. Summary sheet for a road and a list of sites on that road
- d. Summary sheet for that submission
- e. Risk Management framework for each submission

The plethora of information required to be completed via forms with a hand signature is ridiculous and in a number of circumstances is duplicating information.

The additional reporting requirements seem to be around rates and inspections which were previously handled by DTMR and it is questioned why that process has been removed and devolved to Local Government in a convoluted manner. Previously these decisions were made on site by the inspector; this no longer occurs with this regions inspector located in Brisbane which significantly delays the delivery of projects with work crews moving on.

Historically there was only one set of submission criteria and one claim form. This is in significant contrast the significant number of forms (identified earlier in this submission) which are in a constant flux of change.

Historic training sessions run by the State was invaluable for Councils. The training focussed on interpretation of the guidelines, what could and could not be claimed with a series of case studies and completion of the forms. This also provided Councils is an opportunity to collectively share their knowledge and expertise.

Acronyms

APPC	Agreed Pricing Performance Contract
CDO	Counter Disaster Operations
DTMR	Department of Transport Main Roads
EMQ	Emergency Management Queensland
FNQROC	Far North Queensland Regional Organisation of Council
LGAQ	Local Government Association of Queensland
LGVFMPG	Local Government Value for Money Pricing Guidelines
NDRRA	Natural Disaster Recovery Relief Arrangements
QAO	Queensland Audit Office
QRA	Queensland Reconstruction Authority
RMPC	Roads Maintenance Performance Contract
VFM	Value for Money



Figure 13 Lake Morris Rd 2009

Appendix B

Natural Disaster Relief and Recovery Funding in Cook Shire Council

Cummings Economics, April 2014



**"The Northern
Professionals"**



NATURAL DISASTER RELIEF AND RECOVERY FUNDING IN COOK SHIRE

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1. INTRODUCTION

1.1 General

Cook Shire asked Cummings Economics to look into:

- The role of funding from National Disaster Relief and Recovery Arrangements in relation to roads in Cook Shire;
- The ability of the Shire to meet a request that it covers part of the costs involved in delivery of NDRRA funded works;
- The economic impact if the Shire was unable to continue with NDRRA roadworks.

1.2 Shire Road Damage & NDRRA Funding

Cook Shire has experienced heavy rain episodes in recent years accompanied by flooding that has caused a great deal of damage to the Shire's extensive system of unsealed roads with relatively underdeveloped river and creek crossings.

Cook Shire acts as the agent to carry out the works.

Tables #1 & #2 give lists of NDRRA funded repair work commenced following damage caused by cyclone Tasha in 2011 and following the heavy monsoonal event of 2012. It indicates a total of \$50.0m of which \$2.0m was in costs of Shire staff/day labour.

No doubt the recent cyclone Ita event will result in further damage that will need attention.

1.3 NDRRA Funding Arrangements

While it might be fair and reasonable in relation to many local government areas that the shires meet part of the cost of NDRRA works, in recognition of the benefits to the local shire, Cook Shire maintains that it is in no position to meet this share due to the special circumstances that exist in the Shire.

The following sets out an appreciation of these special factors.

Table #1: NDRAA Funding - Cyclone Tasha 2011 Event

<u>Description of Job</u>	<u>Recommended Value of Submission (excl GST)</u> \$	<u>Eligible Day Labour Costs (excl GST)</u> \$	<u>Planned Construction Start Date (XX/XX/20XX)</u>	<u>Actual Construction Start Date (XX/XX/20XX)</u>	<u>Actual Expenditure to Date (excl GST)</u> \$
	\$ 23,716,284.66	\$ 1,018,578.88	1/07/2011	1/08/2011	\$23,913,775.14
Battlecamp Rd	\$ 1,099,508.74	\$45,309.29	1/07/2012	1/07/2012	\$1,096,645.32
Bloomfield Rd	\$ 584,080.31	\$80,589.70	23/05/2012	1/06/2012	\$589,497.96
Weary Bay Rd	\$ 8,516.66	\$2,139.10	28/11/2012		
Bloodwood Rd	\$ 45,909.32	\$6,280.80	1/07/2012	1/07/2012	\$36,129.83
Bloomfield Close	\$ 9,088.50	\$888.55	28/11/2012	2/07/2012	\$3,412.20
Ayton Streets	\$ 13,709.33	\$2,139.10	2/04/2013		\$14,736.19
Bonney Glen	\$ 83,288.25	\$4,786.89	28/11/2012	1/11/2012	\$80,934.61
Byerstown Rd	\$ 129,995.07	\$3,498.96	28/11/2012	1/11/2012	\$114,848.45
Whites Creek Rd	\$ 745,604.05	\$32,510.18	5/09/2012	5/09/2012	\$791,163.00
Lakefield Rd	\$ 4,503,035.26	\$146,732.75	1/07/2011	1/08/2011	\$4,870,384.63
Mt Amos Rd	\$ 187,309.40	\$11,751.62	5/09/2012	1/11/2012	\$188,150.33
Archer Point Rd	\$ 291,871.48	\$14,216.82	5/09/2012	1/07/2012	\$150,251.27
Esk Valley Rd	\$ 47,407.43	\$705.80	5/09/2012	15/09/2012	\$43,009.97
Barretts Creek Rd	\$ 105,847.50	\$3,220.74	28/11/2012	25/07/2012	\$79,511.56
Cameron Creeks Rd	\$ 67,109.88	\$14,092.93	2/04/2013	1/07/2013	\$54,319.31
Rootsey Rd	\$ 16,375.66	\$1,740.08	2/04/2013	1/07/2013	\$3,395.88
Myrtle Rd	\$ 27,984.71	\$876.31	17/10/2012	25/07/2012	\$2,383.42
Cooktown Streets	\$ 96,461.94		2/04/2013		
Dixie Rd	\$ 764,771.59	\$20,636.38	1/07/2012	1/07/2012	\$663,997.24
Dixie- Kimba Rd	\$ 453,025.71	\$27,449.01	4/07/2012	25/07/2012	\$473,353.19
Killarney Rd	\$ 78,127.94	\$6,882.72	2/04/2013	12/06/2013	\$92,626.05
Astrea Rd	\$ 48,109.32		2/04/2013	12/06/2013	\$23,520.00
Strathburn Rd	\$ 124,651.08	\$6,181.17	7/11/2012	10/10/2012	\$140,079.44
Holroyd Rd	\$ 880,738.40	\$19,165.22	5/09/2012	1/08/2012	\$880,415.39
Kimba-Gamboola Rd	\$ 517,188.33	\$18,180.76	15/08/2012	1/08/2012	\$383,383.63
Drumduff Rd	\$ 353,627.39	\$3,799.81	26/09/2012	1/09/2012	\$162,643.04
Marina Plains Rd	\$ 494,587.53	\$16,983.16	17/10/2012	10/10/2012	\$564,362.58
Lilyvale Rd	\$ 1,178,930.90	\$4,848.63	17/10/2012	27/10/2012	\$522,937.65
Interest C Liam CoSC.19.11					\$121,198.37
Fairview - Palmerville Rd	\$ 713,629.32	\$43,934.83	1/07/2012	1/07/2012	\$658,799.69
Kimba Rd	\$ 339,530.72	\$6,465.00	28/11/2012	1/06/2012	\$298,321.15
Mien - Batavia Rd	\$ 371,572.06	\$15,215.96	25/07/2012	1/08/2012	\$400,174.87
Moreton - Bramwell Rd	\$ 216,329.29	\$2,461.82	15/08/2012	1/09/2012	\$252,466.75
Bamaga Rd	\$ 425,134.66	\$28,688.58	1/07/2012	1/07/2012	\$487,760.93



Mt Web-Wakooka Road Part 1	\$ 1,385,678.99	\$166,883.32	1/07/2012	1/07/2012	\$1,777,106.75
Mt Web-Wakooka Rd Part 2	\$ 1,432,077.58	\$71,461.93	1/07/2012	1/07/2012	\$1,948,539.63
Oakey Creek Rd	\$ 212,753.74	\$4,803.59	17/10/2012	1/11/2012	\$205,141.24
Percy Rd	\$ 56,436.61	\$2,800.63	17/10/2012	1/11/2012	\$52,320.74
Hamilton Streets	\$ 36,919.51	\$1,814.43	2/04/2013		\$33,938.17
Poison Creek Rd	\$ 77,833.87	\$850.02	17/10/2012	1/11/2012	\$75,233.19
Jensens Crossing Rd	\$ 2,655.44	\$1,160.55	17/10/2012	1/11/2012	\$2,952.17
Minkie Rd	\$ 31,404.22	\$11,614.08	25/07/2012	1/08/2012	\$37,028.02
Railway Avenue East	\$ 62,748.63	\$9,602.13	25/07/2012	1/11/2012	\$63,932.29
Railway Avenue West	\$ 19,283.08	\$778.72	25/07/2012	1/11/2012	\$20,169.27
Wiltons Access	\$ 54,851.01	\$2,050.04	25/07/2012	1/07/2012	\$58,254.75
Flaggy Rd	\$ 20,028.23	\$1,961.61	25/07/2012	1/07/2012	\$17,737.84
Solander Rd	\$ 20,864.37	\$925.91	25/07/2012	1/07/2012	\$20,070.45
Lee Rd	\$ 11,357.04	\$727.61	25/07/2012	1/07/2012	\$12,766.98
Welcome Rd	\$ 106,642.03	\$617.78	26/07/2012	1/08/2012	\$4,511.06
Maytown Rd	\$ 270,748.24	\$6,999.62	28/11/2012	10/11/2012	\$208,957.34
Balurga Rd	\$ 285,065.67	\$4,283.12	2/04/2013	12/06/2013	\$272,589.72
Pamerville - Maytown Rd	\$ 695,213.66	\$6,015.11	1/07/2012	1/07/2012	\$649,485.27
Sadley Batavia Rd	\$ 294,950.65		28/11/2012	1/09/2012	\$353,524.74
Birthday Mountain Rd	\$ 342,999.66	\$8,240.93	28/11/2012	1/11/2012	\$345,212.68
Port Stewart Rd	\$ 1,194,969.06	\$29,521.01	1/07/2011	1/07/2012	\$1,197,934.93
Strathgordon Rd	\$ 854,919.31	\$45,148.82	23/05/2012	1/06/2012	\$1,040,469.51
Southwell Rd	\$ 276,781.99	\$19,401.07	1/07/2012	1/07/2012	\$300,830.28
Rokeby Rd	\$ 273,899.06	\$12,758.27	1/07/2012	1/07/2012	\$268,757.49
Orchid Creek Rd	\$ 91,326.86		5/09/2012	5/09/2012	\$115,837.28
Portland Roads Rd	\$ 210,170.93	\$7,194.15	5/09/2012	1/11/2012	\$214,943.03
Aurukun Rd	\$ 370,647.50	\$8,591.76	15/08/2012	1/07/2012	\$370,716.42



Table #2: NDRRA Funding – Qld Monsoonal 2012 Event

<u>Description of Job</u>	<u>Recommended Value of Submission (excl GST) \$</u>	<u>Eligible Day Labour Costs (excl GST) \$</u>	<u>Planned Construction Start Date (XX/XX/20XX)</u>	<u>Actual Construction Start Date (XX/XX/20XX)</u>	<u>Actual Expenditure to Date (excl GST) \$</u>
	\$ 26,896,947.76	\$994,908.29	17/04/2013	22/04/2013	\$6,950,125.70
Whites Creek Rd	\$ 1,408,309.09	\$91,265.73	17/04/2013	22/04/2013	\$1,168,722.61
Bonney Glen Rd	\$ 238,858.24	\$3,375.37	17/04/2013	1/05/2013	\$234,704.68
Byerstown Rd	\$ 806,221.34	\$2,168.48	17/04/2013	1/05/2013	\$187,184.62
Battlecamp Rd	\$ 907,887.77	\$52,624.09	17/04/2013	1/05/2013	\$832,902.06
Larua-Welcome Rd	\$ 223,521.88		25/11/2013		
Henwood Rd	\$ 124,536.75	\$16,550.11	22/05/2013	1/07/2013	\$53,038.48
Bamaga Rd	\$ 920,418.16	\$24,892.02	17/04/2013	22/04/2013	\$955,116.25
Bamaga-Telegraph Rd - part 1	\$ 933,925.35	\$25,906.80	17/04/2013	1/05/2013	\$858,748.99
Musgrave – Strath- gordon Rd - part 1	\$ 1,121,197.20	\$44,912.08	17/04/2013	1/05/2013	\$1,078,212.94
Kimba - Gamboola Rd	\$ 808,812.73	\$80,742.14	22/05/2013	12/06/2013	\$727,755.33
Drumduff Rd	\$ 727,971.54	\$16,097.09	8/07/2013	2/09/2013	\$732,702.83
Esk Valley Rd	\$ 52,695.95	\$8,837.41	22/05/2013	1/07/2013	\$42,785.55
Idress Rd	\$ 12,329.29	\$64.22	22/05/2013	14/10/2013	\$11,695.85
Arches Point	\$ 193,194.77	\$14,352.73	22/05/2013	14/10/2013	\$66,555.51
Mt Amos Rd	\$ 238,664.12		25/11/2013		-
Cooktown Streets	\$ 245,138.10	\$13,450.16	17/04/2013	14/10/2013	\$96,642.15
Mein Batavia Rd	\$ 670,173.43	\$16,391.22	17/04/2013	12/06/2012	\$766,866.53
Morton Bramwell Rd	\$ 328,413.90	\$16,118.57	17/04/2013	22/04/2013	\$313,265.73
Sudley Batavia Rd	\$ 396,509.59	\$15,275.54	17/04/2013	22/04/2013	\$398,866.70
Aurukun Rd part 1	\$ 336,645.82	\$11,021.94	17/04/2013	22/05/2013	\$366,546.66
Old Mapoon Rd	\$ 499,153.49		22/05/2013		
Marion Sts	\$ 29,160.04		22/05/2013		
Elmes	\$ 4,158.24		22/05/2013		
Myrtle Rd	\$ 4,924.18		22/05/2013		
Smoko Lane	\$ 2,115.75		22/05/2013		
Oakey Creek Rd	\$ 143,889.87	\$13,904.49	22/05/2013	23/09/2013	\$112,544.51
Percy Rd	\$ 49,819.08	\$1,983.70	22/05/2013	23/09/2013	\$39,517.25
Poison Rd	\$ 4,231.49	\$311.25	22/05/2013		\$994.55
Jenson Crossing	\$ 540.41		22/05/2013		
Solander Rd	\$ 28,986.79	\$1,308.42	22/05/2013	23/09/2013	\$17,756.59
Wiltons access	\$ 35,206.18	\$4,985.17	22/05/2013	23/09/2013	\$49,165.33
Flaggy Rd	\$ 17,425.73	\$727.53	22/05/2013	23/09/2013	\$1,765.36
Lee Rd	\$ 16,539.44		22/05/2013	23/09/2013	\$8,544.00
Railway Avenue East	\$ 52,238.58	\$2,108.05	22/05/2013	23/09/2013	\$31,214.95



Railway Avenue West	\$ 31,493.78	\$3,942.57	22/05/2013	23/09/2013	\$27,538.92
Cameron Creek Rd	\$ 62,374.91	\$6,993.33	22/05/2013	1/07/2013	\$63,513.89
Rootsey Rd	\$ 10,417.57	\$2,411.87	22/05/2013	23/09/2013	\$20,119.93
Barretts Creek Rd	\$ 35,366.45	\$4,193.16	22/05/2013	23/09/2013	\$34,241.82
Orchid Creek Rd	\$ 178,330.50	\$23,262.31	22/05/2013	12/06/2013	\$163,486.32
Portland Roads Road - part 1	\$ 593,651.05	\$47,686.91	1/05/2013	22/05/2013	\$571,492.48
Weymouth Rd	\$ 22,108.45	\$258.27	22/05/2013	12/06/2013	\$23,133.76
Maytown Rd	\$ 567,334.02	\$9,404.46	22/05/2013	1/07/2013	\$293,346.50
Palmerville-Maytown Rd	702,149.59	\$38,790.70	22/05/2013	1/07/2013	\$427,328.68
Isabella Mclvor Rd	513,456.45	\$297.42	22/05/2013	23/09/2013	\$78,597.82
Rokeby Rd	507,596.12	\$15,685.81	22/05/2013	2/09/2013	\$551,693.20
Dixie Rd	\$ 779,859.20	\$36,873.95	1/05/2013	22/05/2013	\$762,297.96
Dixie-Kimba Rd	\$ 460,479.85	\$9,225.95	22/05/2013	1/07/2013	\$342,928.39
Killarney Rd	\$ 92,376.71		22/05/2013		
Mt Web Wakooka - part 1	\$ 938,043.40	\$20,721.57	22/05/2013	22/05/2013	\$986,742.88
Mt Web Wakooka - part 2	\$ 872,045.41	40,298.03	22/05/2013	1/07/2013	\$731,123.07
Bloomfield Rd	\$ 1,345,477.92	\$80,190.77	17/04/2013	22/04/2013	\$931,186.60
Mungumby Rd	\$ 26,904.19	\$534.41	22/05/2013		\$1,736.47
Marina Plains	\$ 724,765.98	\$11,491.41	22/05/2013	14/10/2013	\$697,437.55
Lillyvale Rd	\$ 1,219,735.97	\$22,200.22	22/05/2013	2/09/2013	\$1,176,613.12
Lakefield Rd	\$ 1,520,138.84	\$54,853.77	17/04/2013	1/05/2013	\$1,437,119.19
Palmerville Rd	\$ 1,084,078.81	\$22,195.04	17/04/2013	2/09/2013	\$1,313,066.71
Kimba Rd	\$ 456,527.75	\$10,056.67	17/04/2013	1/05/2013	\$273,534.92
Holroyed Rd	\$ 783,243.05	\$12,235.88	22/05/2013	14/10/2013	\$578,437.92
Port Stewart	\$ 668,035.61	\$20,695.88	17/04/2013	22/04/2013	\$777,602.82
Astrea Rd	\$ 99,755.41	\$7,094.30	22/05/2013	14/10/2013	\$62,964.71
Strathburn Rd	\$ 188,991.93		22/05/2013	1/05/2013	\$193,011.36
Balurga Rd	\$ 443,955.15	\$13,939.32	22/05/2013	14/10/2013	\$441,133.04
Southwell Rd	\$ 384,439.40		22/05/2013	15/10/2013	\$453,960.30



2. BASIC INFORMATION

Map 1 shows Cook Shire boundaries in relation to the Cape York Peninsula area and comparison in area with the State of Victoria.

Map 2 shows location of roads that are the Shire's responsibility, non-Shire communities they service and national parks.

The Shire has a total length of 2700km of rural roads, almost all unsealed.

The following **Table #2** gives population in the Cape York Peninsula area.

Table #3: Estimated Residential Population, Cape York Peninsula Area, 2013

Area	No.
Cook Shire	4393
Hopevale	1080
Lockhart	529
Pormpuraaw	727
Wujal Wujal	285
Northern Peninsula Area	2560
Napranum	926
Mapoon	288
Aurukun	1401
Total	7796
Weipa	3795
Total Peninsula Area	15984

Cook Shire Indigenous Population20%

The following table shows Cook Shire Council budget for 2013/14. Rates income is only \$6m to \$7m.

Table #4: Cook Shire Budget

FINANCIAL STATEMENTS

Statement of Income & Expenditure For Year Ended June 30 2014

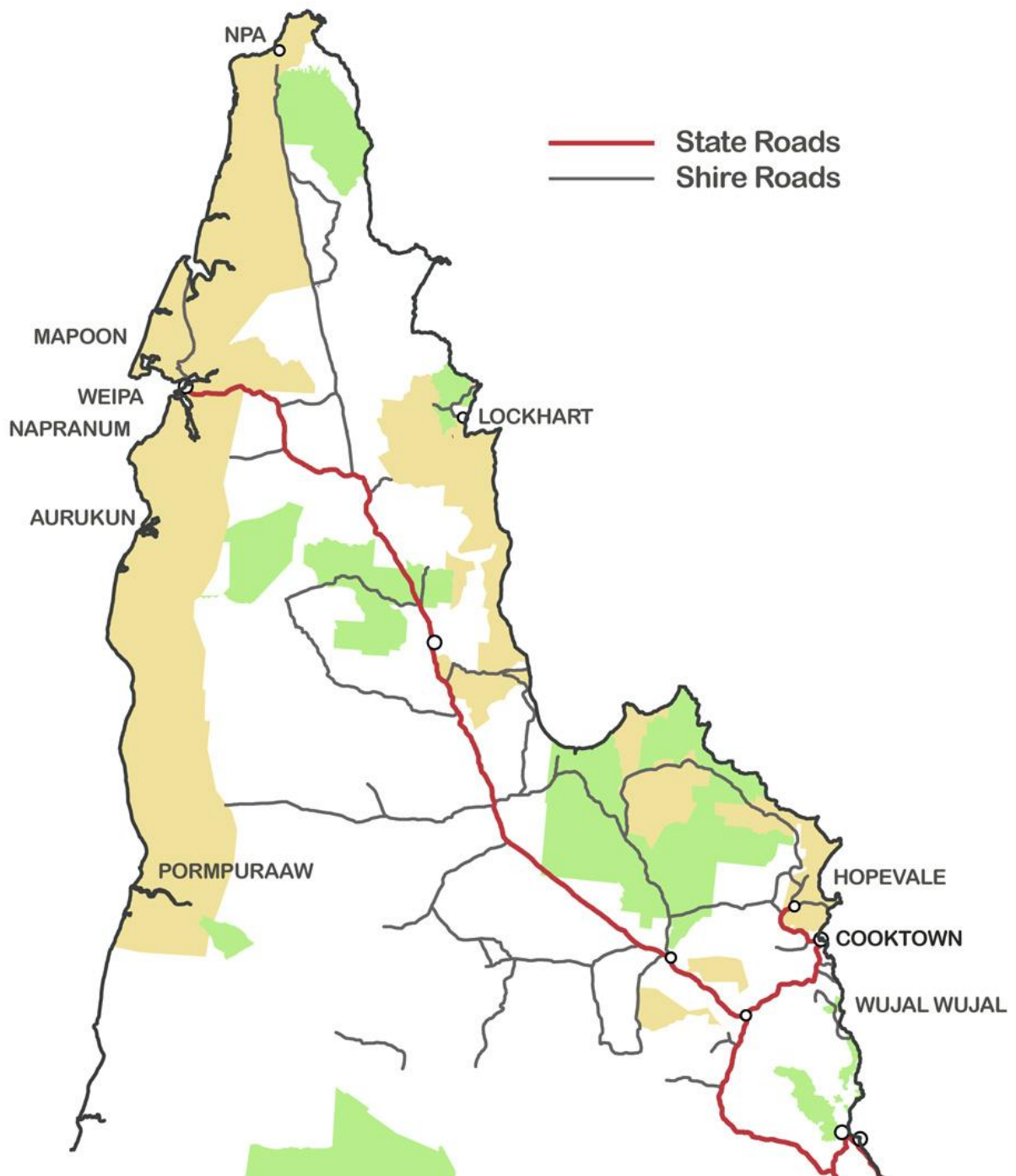
	Forecast to		Budget	Budget	Budget
	30/06/2013	%	2013-14	2014-15	2015-16
Income					
Recurrent Revenue					
Rates, Levies & Charges	6,364,924	2.7%	6,539,750	6,800,000	7,000,000
Fees & Charges	953,212	1%	959,165	1,050,000	1,150,000
Rental Income	260,018	-1%	257,700	280,000	300,000
Interest Received	173,948	25%	218,200	200,000	200,000
Sales & Private Works	7,263,363	-50%	3,666,200	2,500,000	2,500,000
FAG's Grant	8,411,707	-49%	4,250,000	8,600,000	8,700,000
Operating Grants & Subsidies	1,968,601	-44%	1,101,000	1,800,000	2,000,000
Flood Damage Revenue	30,515,760	-6%	28,800,000	25,000,000	25,000,000
Other Income	618,287	-31%	427,700	480,000	500,000
	56,529,820	-18%	46,219,715	46,710,000	47,350,000
Capital Revenue					
Grants & Subsidies	5,514,757	-75%	1,355,000	1,000,000	1,000,000
Profit on Asset Sales	80,598		0	0	0
	5,595,356	-76%	1,355,000	1,000,000	1,000,000
Total Income	62,125,175	-23%	47,574,715	47,710,000	48,350,000
Expenses					
Recurrent Expenses					
Employee Benefits	9,888,962	-5%	9,425,180	9,800,000	10,000,000
Materials & Services	9,108,149	-2%	8,948,645	9,200,000	9,500,000
Flood Damage Costs	32,395,432	-14%	28,000,000	25,000,000	25,000,000
Finance Costs	361,487	-20%	289,900	240,000	220,000
Depreciation	7,717,927	2%	7,862,150	7,900,000	8,000,000
	59,471,956	-8%	54,525,875	52,140,000	52,720,000
Capital Expenses					
Loss on Asset Sales	39,587		0	0	0
Total Expenses	59,511,543	-8%	54,525,875	52,140,000	52,720,000
Net Result					
Surplus/(Deficit)	2,613,632	-366%	-6,951,160	-4,430,000	-4,370,000



Map 1 – Cook Shire Area & Comparison with the State of Victoria



Map 2 – Roads in Cook Shire, Communities Served, Community Reserves & National Parks



3. THE COOK SHIRE ECONOMY

3.1 Base Industries

Activity within the Shire is based, in the first place, on industries earning outside income.

These are estimated as follows.

Grazing.....	\$50m (Source ABS)
Cropping.....	\$40m (Source Qld DAFF)
Fishing.....	na
Total Primary Industries.....	\$100m
Tourism	\$70 - \$80m (Est Cummings Economics 2013)
Mining.....	\$20m (Cape Flattery, Qld Mines & Energy)

In addition to this, substantial outside income is injected into the wider Peninsula region:

- Substantial special support is provided to indigenous communities, within the Shire or contiguous with the Shire, that otherwise derive no or little outside income.
- Some special government funding and employment is generated in the upkeep and administration of national parks within the Shire.
- Substantial expenditure and additional population count was generated over the period to 2013 through the use of Scherger Airbase as a detainee centre. (This has been in the process of being wound back.)
- Weipa bauxite mine has a gross value of production of the order of \$600 - \$700m per annum.

3.2 Service Activities

On top of the above activities that earn outside income in the Peninsula area, 'flow-on' activity is generated in service activities especially:

- Government services including health, education, police and local government;
- Construction activity;
- Private retail, business and community services.

This service activity is especially located in Cooktown with a population of about 1600, ie. about a third of the Shire's population.

Outside of Cooktown, in Cook Shire itself, there are only a few small service centres at Rossville, Ayton, Lakeland, Laura, Coen, Port Stewart and Portland Roads and some road houses along the Peninsula Road (Palmer, Musgrave, Archer River and Moreton).



Construction activity outside of roads is low with approvals in 2012/13 being 16 dwellings and total value of all construction at \$7.2m.

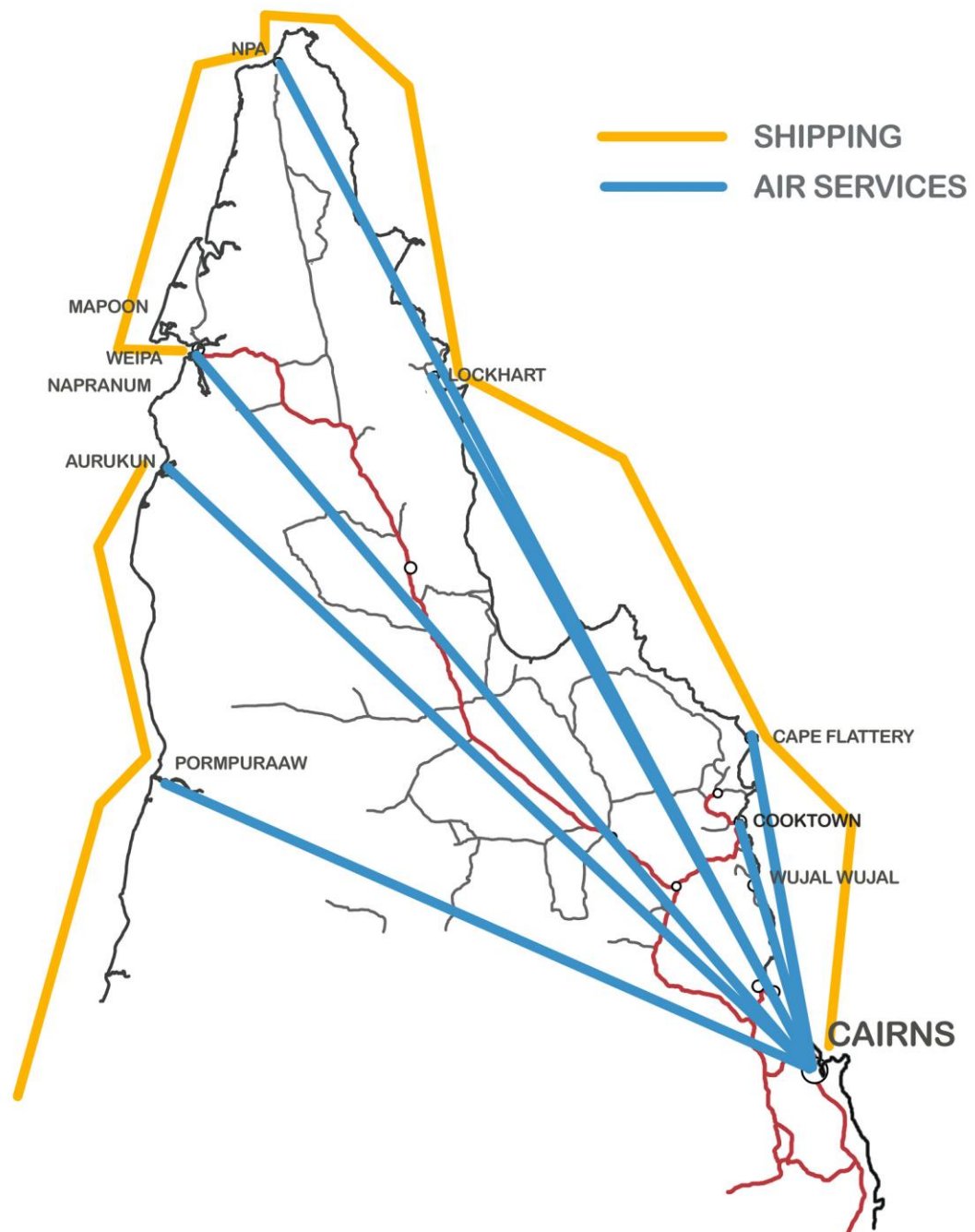
Because of the small population base and limited government and commercial structure at Cooktown and difficulties in road access from Cooktown due to the poor level of development of the Peninsula Developmental Road and the Shire roads, substantial services are provided from outside Cook Shire.

Much of these goods and services are delivered by expensive air and shipping services that become the only means of transport available through the wet season period.

Of the indigenous communities, only Hopevale and Wujal Wujal closely relate to Cooktown and Wujal Wujal also draws on services from Mossman outside the Shire. Most of the requirements for Lockhart, Pormpuraaw and Aurukun are supplied direct from Cairns by road during the dry season and sea and air services during the wet season. Weipa, Napranum and Mapoon along with the NPA area are supplied with goods and services direct from Cairns mainly by sea and air but with supplies in the dry season by road. A substantial amount of the goods and services for the mine at Cape Flattery are supplied direct from Cairns by sea and air.

Map 3 illustrates.

**Map 3 – Provision of Goods & Services to the Cape York Peninsula Area
by Expensive Air Services & Shipping**



4. EXTENT & ROLE OF SHIRE ROADS

In the region, Main Roads are restricted to the:

- Peninsula Developmental Road to Weipa;
- The Lakeland Cooktown Road (Mulligan Highway);
- The Shiptons Flat Road;
- The Hopevale Road.

This is a low ratio of main roads to the area serviced.

The 2700 km of Shire roads play a major role in servicing:

- A sparse grazing community within the Shire;
- Access to tourism areas, much relating to visits to national parks.

A large part of the role of the Shire roads is to provide access to communities outside the Shire boundaries:

- Wujal Wujal
- Pormpuraaw
- Lockhart
- Aurukun
- Mapoon
- Northern Peninsula Area

Thus, much of the benefit of the Shire roads accrue to communities outside the Shire.

Some Shire roads also act as connectors between Weipa (which is outside the Shire area), and the indigenous communities also outside the Shire area of Mapoon, the NPA, Lockhart and Aurukun.

5. ABILITY TO FINANCE ROAD EXPENDITURE

From the foregoing, it is clear that Cook Shire is required to maintain a large network of roads with much of the benefits falling outside its boundaries and from which it derives no rate income.

Within its boundaries, much of this road development relates to providing access to Queensland Government National Parks and Reserves from which the Shire receives no rate income. As **Map 4** illustrates, a substantial proportion of Shire land area is taken up by national parks.

As **Table #4** illustrates, all the foregoing factors result in a low rate base of the order of \$6 - \$7m per annum.

To maintain services, Commonwealth Financial Assistance Grants are made available at \$4.3m in 2013/14 and at a projected level of \$8.6m in 2014/15.

Against this background, additional costs of contribution to NDRRA works are difficult to meet and are likely to result in a need to cut back other services.

The situation is made worse by the fact that almost all of the Shire roads are unsealed and highly susceptible to damage from extreme weather events.

6. LIKELY IMPACTS IF NDRRA WORK CEASED

Based on information from Shire staff, the following sets out what is likely to happen if NDRRA funded work ceased.

Road Deterioration

Substantial negative effects will be felt throughout the Shire immediately after the wet season if no road works are started. Generally sections of road are washed away over the wet, immediately cutting access. Long stretches of road become saturated and deteriorate rapidly as vehicles churn up the surface. Travel times will more than double on roads that remain passable, and grind to a halt as the road surfaces deteriorate. Two wheel drive vehicles will suffer major undercarriage damage and are likely to be abandoned as the cost of having the vehicle towed out and repaired would be prohibitive.

Tourism

Access to all Cape National Parks will be cut which will seriously diminish tourist numbers to the Cape. Tourist numbers to Cooktown and Weipa will reduce considerably because of this. Tourist businesses such as the Moreton Telegraph Station, Bramwell Junction, Bramwell Station, Lotus Bird Lodge will all be inaccessible, as will historic tourism destinations such as Maytown. The iconic “trip to the tip” will no longer be possible. Businesses and townships along the Main Roads owned Peninsula Development Road such as Lakeland, Laura, Coen, Archer River and Musgrave Road Houses, while still accessible, will feel the effects of diminished tourism. The only vehicular traffic to go through will be that heading to Weipa.

Farming

Without maintained roads to transport their cattle to market, cattle stations on the Cape will be unsustainable. Weeds and feral animals will become an overwhelming issue in the National Parks with no access to contain or monitor, leading to negative impacts on neighbouring cattle properties.

Mining

There are several mining ventures in the pipeline that will not be viable if road access is not maintained.

Isolation of townships

The townships of Bamaga, Injinoo, Umagico, New Mapoon, Seisia, Aurukun, Pormpuraaw, Lockhart River, Port Stuart, Portland Roads, Rossville, Bloomfield / Ayton, Wujal Wujal will all be isolated. All provisions including food and fuel will need to be transported in by either barge or by air, at great expense. Closer to Cooktown, several hundred people living within 40km of Cooktown will be unable to leave their properties in many instances. Access to the yet to be completed Rehabilitation Centre at Flaggy Road will be cut off. Many students will be unable to get to and therefore attend school.

7. ECONOMIC IMPACT

7.1 General

A cessation of NDRRA work would have two impacts:

- a) Direct from loss of road work jobs;
- b) Losses from deteriorated road structure impacts on industries.

The following seeks to quantify the foregoing potential impacts.

There are two levels of consideration of impacts resulting from road closures:

- a) Impacts on the current economic structure of the area;
- b) Impacts on potential of the area's economy to grow.

7.2 Road Expenditure Impact

Gross Regional Product of Cook Shire can be expected to be of the order of about \$220m a year. (Note: Gross Domestic Product at national level per capita is currently about \$65,000. Cook Shire has a population of about 4400 but its Gross Regional Product per capita could be expected to be substantially lower and probably more in the \$50,000 per capita range.)

A loss of \$28m expenditure on road work could be expected to generate a loss to Gross Regional Product of a similar amount. (Note: Ratio of initial 'output/expenditure' impacts to Gross Value Added, including flow-on impacts, can be expected to be about 1.0.)

We thus have the loss of expenditure on NDRRA works having an impact on Gross Regional Product (ie. cumulative economic activity in the Shire), of the order of 12% – 14%.

7.3 Road Deterioration Impacts on Current and Future Economic Activity in Cook Shire

Assuming the roads that are the responsibility of Main Roads continue to be maintained, the following effects are likely on the area's service centres and base industries earning outside income, if Shire roads become inoperable as a result of cessation of NDRRA funding.

Cropping

Most of the \$40m of crop production in the area is currently located on the main roads route at Lakeland and along the Hopevale Road and would not be heavily affected.

However any hopes for future unsubsidised expansion of agricultural production in the indigenous communities like Pormpuraaw, Aurukun, Lockhart and the Northern Peninsula Area would become non-viable.

Some two million hectares of soils suitable for cropping have been identified by Queensland Department of Primary Industries mainly in the Western Cape area. While a small proportion would be accessible along the Peninsula Developmental Road near Weipa, future development of most of this area would be non-viable.

Beef Production

There would be a major impact on the cattle industry in the region currently with a value of output of the order of \$50m a year and future expansion would be curtailed. Losses could be expected to be of the order of \$30m a year. Future expansion and intensification of carrying capacity would be discouraged.

Tourism

Tourism in the Cook Shire area is estimated to generate expenditure of the order of \$70m to \$80m. Travel along the main road routes would not be affected. However a large part of the area's tourism especially that into national parks would close down including travelling north of Weipa. It could be expected that lost tourism income in the area could be expected to be of the order of \$40m per annum.

Almost all tourism income in the NPA area would cease. Current estimates put tourism visitors reaching the NPA at about 21,000 a year. At an average stay of 4 days and spending at \$120-\$150 a day, lost income would be of the order of \$10-\$13m.

Mining

Mining at Weipa would not be affected. However there could be problems with workforce from Hopevale accessing the Cape Flattery mine resulting in all workforce having to go to a FIFO basis. Most new mining prospects would become unviable.

Service Centre Impacts

Loss of tourism traffic on the road and grazing industry business would affect Lakeland, Laura and Coen as well as Cooktown. The continued losses in tourism, grazing industry and traffic generated by the communities, would severely affect the viability of the road houses along the Peninsula Developmental Road.

There would be a substantial fall in the demand for goods and services in Cooktown due to:

- 1) Difficulties of surrounding population accessing these centres and eventually of reduction of population;
- 2) Loss of business from the grazing industry community'
- 3) Loss of tourism business.

This would have multiplier impacts as employment and population fell, including on employment, and in health, education and other government services.

Estimated impacts

It is difficult to quantify the impacts precisely. It is not possible to construct reliable input/output tables at this level. However impacts on the grazing industry and tourism outside income are likely to be of the order of \$70m. Flow-through effects on businesses in Cooktown and the smaller service centres and consequent impacts on population in these centres and services like hospitals, schools and other government services, are likely to match this figure. It is easy to see that impact on the Cook Shire area could be of the order of \$140m per annum in expenditure 'output' and of the order of \$70m-\$80m in Gross Regional Product. Estimated Gross Regional Product for Cook Shire (residential population) is of the order of \$200m. A contraction of the order of 30%-40% could be expected.



7.4 Indigenous Communities

On top of economic impacts in the Shire,, loss of access by road during the dry season to the communities like Lockhart, Pormpuraaw and Aurukun would result in all freight movement year round having to be by much more expensive sea and air transport. Given the lack of 'outside earnings' by these communities and dependence on government funding, the additional cost to the Government is likely to be substantial.

Hopevale would be unaffected but potentially could lose income from work at Cape Flattery. Wujal Wujal would draw its supplies and services from Mossman.

However Pormpuraaw, Aurukun, Lockhart and the NPA would lose all road access resulting in all freight imports being transferred to expensive sea transport and all people movements to air, resulting in significant additional costs to local residents and delivery of services. Inquiries relating to one of these communities, Pormpuraaw, indicate that road freight rates for dry goods range from about \$200 per tonne (Government Stores contract) to \$350 a tonne.

A wet season barge delivery with a vessel; maximum load 120 tonnes costs \$50,000. If the barge was absolutely full, cost would be \$420 a tonne with likely cost towards \$800 per tonne. Air freight costs are estimated at \$6,000 to \$9,000 per tonne.

Costs of basic grocery items in Pormpuraaw from the Main Store already compare with Cairns prices as follows:

	<u>Pormpuraaw</u>	<u>Cairns</u>	<u>% additional Pormpuraaw</u>
Bread (white sliced Mighty Soft)	\$6.14.....	\$3.39.....	+83%
Milk.....	\$3.31.....	\$2.00.....	+66%
Meadow Lee Margarine	\$5.27.....	\$3.49.....	+51%
Eggs (700gm)	\$4.85.....	\$3.30.....	+47%
Mince (kg)	\$14.92.....	\$7.96.....	+87%
Bacon (250g)	\$8.75.....	\$5.35.....	+64%
Rice Bubbles (250g)	\$5.01.....	\$3.70.....	+35%
Milo (kg)	\$17.04.....	\$10.99.....	+55%

This type of situation would apply to the 2900 population living in Lockhart, Pormpuraaw, Mapoon and Aurukun communities. Cost to government of underpinning these communities would rise substantially.

7.5 Total Impact

Thus total impact on the Shire's Gross Regional Product is likely to be in the range of 40-50% comprised of a loss of road expenditure effect of about 12-14% and impact of road closures on the Shire's economic activity of the order of 30-40%.

On top of this would be loss of almost all tourism business by the NPA (virtually the area's only source of non-government income), and sharply increased costs of living in the indigenous communities of Pormpuraaw, Aurukun, Lockhart and Mapoon.

8. EMPLOYMENT

8.1 Direct Employment Generated by NDRRA

Cook Shire estimates employment generated by NDRRA funding has been contractors 143, Shire 42, a total of 185.

The following tables give employment profiles by industry and by occupation for Cook Shire from the 2011 Census.

Loss of 185 jobs, mainly in construction, would impact heavily on people employed in that sector shown as 158 in the tables below.

It would also impact heavily on those employed as machinery operators and drivers (134) and labourers (276).

Total direct loss of employment would be 12%.

Table #5: Employment in Cook Shire, (Usual place of residence), 2011 Census

By industry	Total
Agriculture, forestry and fishing	194
Mining	28
Manufacturing	17
Electricity, gas, water and waste services	19
Construction	158
Wholesale trade	17
Retail trade	125
Accommodation and food services	205
Transport, postal and warehousing	55
Information media and telecommunications	6
Financial and insurance services	8
Rental, hiring and real estate services	15
Professional, scientific and technical services	23
Administrative and support services	46
Public, administration and safety	227
Education and training	124
Health care and social assistance	168
Arts and recreation services	40
Other services	44
Inadequately described/Not stated	70
Total	1590

Table #5: Employment in Cook Shire, (Usual place of residence), 2011 Census



Table #5 Cont'd: Employment in Cook Shire, (Usual place of residence), 2011 Census

By occupation	Total
Managers	279
Professionals	248
Technicians and trades workers	198
Community and personal service workers	176
Clerical and administrative workers	153
Sales workers	83
Machinery operators and drivers	134
Labourers	276
Inadequately described/Not stated	43
Total	1590

From the previous section, it could be expected that a 30-40% loss in Gross Regional Product would result in about a 30-40% loss in employment.

Thus cessation of work on Shire roads due to cessation of NDRRA road works and effects of road closures over time, is likely to lead to a fall of the order of 40-50% of employment in the Shire, ie. in the range of 600-800 out of a total of about 1600.

Appendix C

FNQ&TS RDA Roadmap Priority Implementation Package 2: Climate Adaptation

CLIMATE ADAPTATION

Package Narrative: Our region is one of the most vulnerable to climate change in Australia. Five Torres Strait Islands face inundation problems associated with sea level rise. Reef environments face severe bleaching risks. Communities in the Wet Tropics now understand the real risks from an increased frequency of severe tropical cyclones. Cape York communities are not well prepared for intense cyclonic events. The Gulf is particularly vulnerable to extensive isolation from flooding. Through research and development work in recent years, we know some of the key adaptation strategies needed, but coordinated effort is required to see these responses fully developed and implemented.

Regional Leadership Group	RDA and Government Leads
JCU, Cape York Sustainable Futures, Torres Strait Regional Authority, Northern Gulf NRM, Reef Rainforest Research Centre, Cairns and Far North Environment Centre, Cassowary Coast Regional Council.	Allan Dale (RDA)
Key Package Initiatives (WHAT)	Pathways (HOW)
<p>Progress development of a significant Regional Climate Change Adaptation Package addressing the specific priorities of the Torres Strait, Gulf, Cape York Peninsula and Wet Tropics communities.</p>	<p>Secure a brief Package prioritization and scheduling project to scope and cost the highest priority investments that build regional resilience in the face of climate change (estimated one off \$100,000). Through this process, work jointly with Commonwealth Climate Change and Regional Development Ministers and the Queensland Government to champion a budget-based, cohesive 5 year investment program commencing from the 2013/14 Budget cycle. Following prioritization and scheduling, key Package components are to at least include:</p> <ul style="list-style-type: none"> • Strategic revetment works (\$23 million) and social transformation processes on the five most vulnerable islands in the Torres Strait; • Strategic Radar warning infrastructure investments in Cape York, Gulf and Torres Strait; • Rivers to Reef Proposal (\$25 million) in Wet Tropics to secure a long term flood mitigation framework; • A targeted cyclone risk assessment for Cape York communities and coastal infrastructure; • A completed Category 5 Shelter Program, Cairns Hospital Emergency Strategy and increased disaster preparedness in major urban communities; and • Direct \$25 million SEWPAC Carbon and Biodiversity funding to secure iconic cassowary populations in cyclone-devastated landscapes. • Internationally and regionally engaged \$11 million disaster recovery centre and review of declining 51st Battalion capacity. • Support for negotiation of major insurance industry partnership for major centres (\$30,000).
<p>Secure and adaptively manage the effective roll out of the Carbon Farming Initiative to maximize landscape scale co-benefits and economic opportunities across the Far North Queensland and Torres Strait Landscape.</p>	<p>Urgently resource the Regional NRM Bodies Working Group, in partnership with RDA FNQ&TS (\$100,000 per annum over three years from the CEF Biodiversity Program) to actively research, review and road-test the evolving regulatory arrangements under the Carbon Farming Initiative to maximize carbon abatement, multiple landscape benefit and landholder uptake nationally, using the FNQ&TS Region as a live case study. Within</p>



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	<p>this process, key reforms would be clearly identified and negotiated in a structured way between RDA's, Regional NRMs, the Department of Climate Change, SEWPAC and the Queensland Office of Climate Change. Australian Government to also commence structured modelling of likely uptake and landscape impact under proposed regulatory rules.</p>
<p>Greater regional devolution in prioritizing disaster recovery priorities, better integrating response, recovery and making sure these efforts build longer term resilience in the face of natural disasters.</p>	<p>State and the Commonwealth Government commitment to a joint workshop between senior management in RDA and the Queensland Reconstruction Authority, RDA FNQ&TS and Local government to identify key deficiencies in the current NDRRA arrangements and progress implementation of current Productivity Commission Review priorities. A key outcome being sought is better pre-disaster planning and coordination and enabling a more locally/ regionally planned disaster response program to be negotiated more directly with both Governments. A more integrated approach to response, recovery and securing long-term 'betterment' infrastructure, environmental and community resilience is also an essential outcome being sought.</p>
Package Indicators	Strategic Reference Documents
<ul style="list-style-type: none"> Progressive monitoring of regional resilience indicators to be developed at sub-regional level (currently being pursued via GBRMPA & JCU). Aim would be to secure durable funding via the Great Barrier Reef Foundation. 	<ul style="list-style-type: none"> Clean Energy Futures Program/ CFI legislation. Queensland Climate Change Strategy. FNQ 2031 Climate Change Working Group. MTSRF Climate Resilience Transition Project.

