Queensland Government

Response to the Draft Report

Productivity Commission Inquiry

Natural Disaster Funding Arrangements

October 2014

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Queensland Government

Contents

Executive summary

Living in the most disaster-affected state in Australia, Queenslanders will undoubtedly bear the greatest impacts of the implementation of any findings from the Productivity Commission's Inquiry into Natural Disaster Funding Arrangements. Following major natural disasters in 2010-13, the Queensland Government has led the development of policy outcomes to enhance communities' recovery, and has also invested significantly in mitigation, resilience, and preparedness, and in improving the framework for delivering value for money outcomes for natural disaster funding.

The Commission's Draft Report is disappointingly lacking in evidence-based recommendations to improve the effectiveness of Natural Disaster Relief and Recovery Arrangements and the National Partnership Agreement on Natural Disaster Resilience. It appears the Commission's review has targeted an outcome to reduce the Commonwealth Government's fiscal liability, rather than provide a practical basis for sustainable natural disaster funding. The Commission has missed the opportunity to streamline the natural disaster funding arrangements to provide a world-class recovery model for Australian communities.

Supplementary Paper 8 to the Commission's Draft Report highlights that the reform options proposed will greatly reduce the Australian Government's fiscal responsibilities in a disaster:

> "A greater portion of NDRRA costs would be borne by state and territory governments. Changes to the cost sharing rate play a large part in the fiscal savings to the Australian Government. … Relative to current arrangements, the Australian Government's NDRRA share under reform option 1 would have been nearly 30 percentage points lower over the period 2007-08 to 2013-14, translating to cumulative savings of over $4 billion or an average of $600 million annually. Projections suggest that average annual Australian Government expenditure could be around $650 million lower in the medium term and $850 million lower in the long term."

The Queensland Government strongly objects to this reference to 'savings'. There is no evidence whatsoever that the proposals to withdraw Commonwealth financial support will result in any real savings in disaster recovery expenditure. The proposals represent a massive cost shifting of fiscal responsibility from the Commonwealth to states and territories, and the impact on state and local governments and communities across Australia, particularly in Queensland, would be extreme. The relative capacities of the Commonwealth and Queensland Governments to raise revenue and fund reconstruction are equitably reflected in the existing cost sharing arrangements – the Commission recognises in Section 2.1 of its own Draft Report that the Commonwealth currently collects 75 per cent of revenue.

The estimated financial impacts of the proposals outlined in the Draft Report on Queensland and its communities are outlined below.

Impact of proposed Productivity Commission reforms on Queensland from 2010-11 to 2013-14

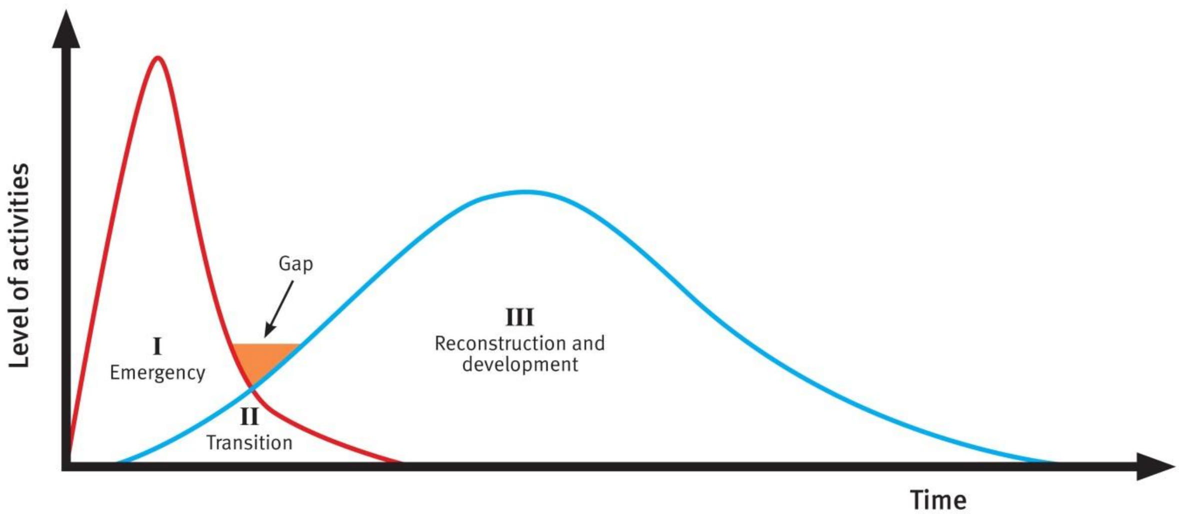
	Proposal	Negative impact on Queensland	Positive impact on Queensland
1	**Reduce cost sharing rate from 75% to 50%**	– $2.7 billion	
2	**Double the annual state threshold for NDRRA funding support**	– $0.2 billion	
3	**Increase the small disaster criteria nearly ten-fold from $240,000 to $2 million**	– $6 million	
4	**Remove insurance duty**	– $2.4 billion	
5	**Increase mitigation funding on a per capita basis (estimated $40 million per annum)**		+ $160 million
	Total	**– $5.3 billion**	**+ $160 million**

The implementation of all recommendations would have an impact of approximately $5 billion on Queenslanders, which would have come at a time when the Queensland Government was already funding more than $3 billion in NDRRA contributions.

Apart from a desire to achieve fiscal savings for the Commonwealth, little evidence has been presented in the Draft Report to support or necessitate the proposed changes to the current fiscal arrangements, and in particular the reduction in the maximum Commonwealth contribution to NDRRA from 75 per cent to 50 per cent.

These recommendations to withdraw support for disaster-affected communities should not be adopted. They would represent a shift so substantial in the current cost sharing arrangements and responsibilities, that it would be better considered as part of the White Paper on Reform of the Federation. This would provide a more appropriate opportunity to reconsider the responsibilities of all levels of government, and at the same time address issues with the vertical fiscal imbalance that exists between them.

The Commission’s suggested approach to tie funding packages to damage assessment has the potential to slow recovery if subjected to onerous oversight and audit procedures. Queensland’s damage assessment processes are well-developed, but the occurrence of numerous natural disasters within a short time period or an extended wet season in the north of the state make swift damage assessment almost impossible in some instances. Internationally, frameworks for recovery and reconstruction recognise the challenge for governments is to bridge the ‘gap’ between the relief and reconstruction phases. If the transition between emergency relief and reconstruction is drawn out, it can create a ‘gap’ before reconstruction activities get underway, and delay the prompt and full recovery of impacted communities.



If a state or local government lacks confidence about whether NDRRA 'safety net' funding assistance is available, rebuilding will almost certainly be delayed, causing substantial impacts on communities. When reviewing Queensland's reconstruction from the 2010-11 floods, the World Bank recognised that the existence of the ongoing agreed funding arrangement allowed for rapid response and recovery, with financial support able to be mobilised quickly and managed well[1].

While the Queensland Government rejects the major cost shifting proposed by the Commission, the Commission's findings that Commonwealth funding for natural disaster mitigation should be increased are supported. Increased government expenditure on mitigation will deliver widespread net benefits to communities.

The Commission's assumption that current NDRRA thresholds for Commonwealth-State contributions act as a disincentive for states and territories to fund mitigation works is incorrect. In addition to its contribution to NDRRA funding, Queensland has provided more than $500 million over the past four years for mitigation and resilience works that are outside the standard scope of the NDRRA. In addition, Queensland's local governments have made substantial investments, including approximately $83 million in contributions to mitigation and resilience initiatives, and more than $11 million in contributions to betterment projects. It would, in fact, be the implementation of the Commission's cost shifting recommendations that would result in a reduction of the funds available for Queensland investments in mitigation.

The proposed gradual increase in Commonwealth mitigation funding to $200 million per year allocated on a per capita basis will result in approximately $40 million per year for Queensland. This amount of funding will not be sufficient to have a major positive impact towards reducing recovery and rebuilding costs.

[1] The World Bank, *Queensland – Recovery and Reconstruction in the aftermath of the 2010/2011 events and Cyclone Yasi*. June 2011. www.qldreconstruction.org.au/publications-guides/reports/world-bank-report

Demand for mitigation funding in Queensland has increased dramatically in recent years following the catastrophic disaster events from 2010-11 onwards. In Queensland, mitigation and resilience funding programs have been oversubscribed by nearly nine times the available allocation:

- the $80 million Queensland Betterment Fund received more than $1 billion in applications
- between 2012 and 2014, 358 applications totalling more than $630 million were received under Queensland's Natural Disaster Resilience Program (NDRP), Royalties for the Regions (R4R) and Local Government Floods Response Subsidy (LGFRS). Approximately $108 million in funding was available under these programs.

In light of this demand, the Queensland Government recommends that the level of Commonwealth mitigation funding proposed by the Commission be increased substantially. The actual required cost of mitigation works is difficult to estimate without a specific study of the scope, scale and probability of required works. After the 2013 natural disasters in Queensland, which had an original damage bill of approximately $2.5 billion, requests for resilience funding through the Betterment Fund to the value of $1 billion were received (approximately 40 per cent of the damage bill). Extrapolating this across the $14 billion in natural disaster damage in Australia over the past ten years, it would be reasonable to suggest a $500 million annual investment in mitigation and resilience funding would be more appropriate. It would be a gross failure by all levels of government if we neglect to adequately invest in the protection and safety of all Australians.

The largest component of current NDRRA funds goes to the restoration of essential public assets, primarily transport infrastructure (approximately 80 per cent in Queensland). Any allocation of mitigation funding must reflect the risk profile of each jurisdiction's essential public infrastructure to natural disasters. The Commission's use of primarily private insurance losses to justify allocating mitigation funding on a per capita basis is illogical: in order for mitigation funding to be effective in delivering savings longer term, investments will need to be targeted based on risk. Reduced post-disaster expenditure across all levels of government requires not only more money spent on mitigation but also the mitigation effort must be targeted at the nation's most vulnerable and exposed communities and infrastructure.

The Commission is also proposing a staged three year transition period to implement the preferred option, with increased mitigation expenditure coinciding with a significant cut to recovery funding. Many mitigation strategies are likely to extend well beyond three years, and any reduction of relief and recovery expenditure should not be implemented until after the mitigation strategies have proven to be effective.

By suggesting cuts to NDRRA funding and an increase in mitigation spend simultaneously, the Commission appears to be in favour of penalising state and local governments for not restoring damaged infrastructure in a more resilient way in the past, when the Commonwealth NDRRA rules often restricted them from doing so.

Any increase in mitigation funding should not be at the expense of funding the recovery and rebuilding of disaster impacted communities. The Queensland Government has previously outlined the benefits of swift disaster recovery and reconstruction to the state and national economy. It will take time to realise the benefits of investment in mitigation, and you cannot flood-proof the whole of Australia. Large scale, rapid onset natural disasters are of national significance and require a consolidated response from all levels of government. The 'safety net' of NDRRA funding will **always** be required, and such mutual support mechanisms in times of crisis should rightly be regarded as a positive feature of the Federation rather than a 'cost impact'.

Queensland acknowledges that in the past there may have been overlap between the Australian Government Disaster Recovery Payment and NDRRA payments. However, Queensland has substantially reformed its delivery of NDRRA personal hardship assistance to ensure it is providing local support for only those in genuine need. The recommendation to remove state and territory administered payments to individuals, primary producers and businesses under the NDRRA appears to have been made without any analysis of the way these arrangements work in local disaster-impacted communities. Would it not be more effective to deliver this support using tried and tested methods within local communities, rather than reinventing the system at a national level?

The recommendation to allow states and territories increased autonomy to manage relief and recovery expenditure in a way that reflects the preferences and characteristics of their communities is supported by Queensland. The Queensland Government welcomes the Commission's recognition of Queensland's assertion that the Commonwealth "NDRRA policy to restore infrastructure to its pre-disaster standard is flawed and needs to be changed"[2]. This policy has resulted in the 'Groundhog Day' anecdotes highlighted in the Draft Report, and Queensland has been arguing for this change since 2011. Despite the obvious success of the Queensland Betterment Fund in 2013, efforts by Queensland to secure a minimal contribution of $10 million for betterment of assets damaged in 2014 have to date been rejected by the Commonwealth.

Considering the Commission recognises in its Draft Report the benefits of betterment and day labour, and the benefits of building back to current engineering standards, Queensland would strongly support the Commission's expansion of this recommendation, to specifically remove restrictions on betterment and day labour, and clarify the rules about current engineering standards under the NDRRA. These recommendations could be implemented immediately to begin generating cost efficiencies.

There are a number of aspects of the Commission's Draft Report where further detail or clarity is required before the impacts can be assessed and the approach supported. This has made it difficult for the Queensland Government to make an informed assessment of the impacts of

[2] Queensland Government, S*ubmission to the Productivity Commission Inquiry into natural disaster funding arrangements*. June 2014.

some proposals. The quantum and workings of the 'additional insurance premium' that is part of the Commission's preferred approach is one of these areas. The suggestion that this would be based on exposure to natural disasters would indicate that Queensland would be financially penalised for its historical experience and exposure to disasters. The Queensland Government has already provided billions of dollars in funding for reconstruction and resilience and would be hesitant to adopt a model that does not recognise that investment.

While the Queensland Government acknowledges the current tax mix available to the states is far from ideal, the recommendation to remove insurance duty cannot be supported in the context of the current Inquiry. Any proposal to remove state taxing capability should be linked to the Commonwealth's White Paper on the Reform of the Federation and the White Paper on the Reform of Australia's Tax System. This recommendation would further undermine the share of state revenue available to fund recovery and rebuilding of the State of Queensland.

Queensland sees benefits of some recommendations in the Draft Report that could be implemented immediately, in terms of providing increased autonomy for states, territories and local governments to undertake value for money reconstruction using day labour, and eliminate the 'Groundhog Day' effect by building more resilient assets and funding mitigation. However, the proposed shifting of responsibilities from the Commonwealth to the State without any adjustment of fiscal circumstances cannot be supported. The impact of these proposals on Queensland's disaster-affected communities would have been more than $5 billion over the past four years, and would represent a clear abrogation of Commonwealth responsibility to support disaster-affected communities.

Queensland Government recommendations

1. The recommended arbitrary reduction of Commonwealth Government natural disaster funding support from 75 per cent to 50 per cent is not supported and should be reconsidered. Such a significant reform of Federal–State funding arrangements would need to be undertaken as part of the Commonwealth's White Paper on the Reform of the Federation, and not as a consideration in this review. The existing cost sharing arrangements are necessary – they reflect the relative capacities of the Commonwealth and State Governments to raise revenue and fund reconstruction, and should continue to apply. (Draft recommendation 3.1)
2. The recommended doubling of the annual threshold for natural disaster funding support is not supported and would need to be undertaken as part of the Commonwealth's White Paper on the Reform of the Federation, and not as a consideration in this review. (Draft recommendation 3.1)
3. The recommendation to increase the small disaster criteria nearly ten-fold from $240,000 to $2 million is not supported. This recommendation will have substantial impacts on local government and communities, especially in Northern Australia, and would need to be undertaken as part of the Commonwealth's White Paper on the Reform of the Federation, and not as a consideration in this review. (Draft recommendation 3.1)
4. The proposal to remove insurance duty is not supported. While the Queensland Government acknowledges the current tax mix available to the states is far from ideal, any proposal to remove state taxing capability should be linked to the Commonwealth's White Paper on the Reform of the Federation and the White Paper on the Reform of Australia's Tax System, and not as a consideration in the review of natural disaster funding arrangements. This proposal would further undermine the share of state revenue available to fund recovery and rebuilding of the State of Queensland. (Draft recommendation 4.8)
5. The Commission's suggested approach to base funding packages on damage assessments has the potential to slow recovery if subjected to detailed Commonwealth oversight processes similar to those imposed on the reconstruction program. The suggested level of $5 million at which additional auditing would apply should be increased, and auditing processes should be subject to a time limit to ensure community recovery is adequately funded. (Volume 1, Page 18)
6. The recommendation to cease reimbursement under NDRRA for relief payments for emergency food, clothing or temporary accommodation and assistance to businesses and primary producers is not supported and should be reconsidered. While the Queensland Government recognises the need to reduce administrative overlap in funding administration, further data on the impacts on community recovery should be sought prior to the implementation of measures of this kind. (Draft recommendation 3.5)
7. The Queensland Government maintains that the Commission's assumption that current NDRRA thresholds for Commonwealth-State contributions act as a disincentive for states and territories to fund mitigation works is incorrect. In addition to its contribution to NDRRA funding, which over the past six years has been in excess of $3 billion, Queensland

has provided funding of more than $500 million for mitigation and resilience works that are outside the standard scope of the NDRRA. The Queensland Government stands ready and willing to work with the Commonwealth to do more in this area.

8. The recommendation to increase Commonwealth Government funding for mitigation projects is supported, however, the quantum of funding recommended will not be sufficient to adequately reduce recovery and rebuilding costs. The level of Commonwealth mitigation funding should be increased to $500 million per annum over a ten year period. The mitigation funding should also include investment in opportunistic resilience through betterment under the NDRRA at the time of rebuilding. (Draft recommendation 3.2)

9. Any allocation of increased Commonwealth mitigation funding should be based on a risk analysis of each jurisdiction's essential public infrastructure, rather than on a per capita basis. High-risk assets subjected to ongoing damage from NDRRA events should receive priority mitigation funding. (Draft recommendation 3.2)

10. The Queensland Government supports a robust and transparent evaluation process for mitigation proposals and already has systems in place to undertake this. However, the additional layers of oversight and red tape in project assessment proposed in the Draft Report should be carefully considered, given that they will delay projects and increase the costs to state and local governments. (Draft recommendation 3.2)

11. The recommendation to allow states and territories increased autonomy to manage relief and recovery expenditure in a way that reflects the preferences and characteristics of their communities is supported and could be implemented immediately. This recommendation would have minimal cost impact, and should be expanded to more specifically recommend removing restrictions on betterment and day labour, and clarifying current engineering standards. (Draft recommendation 3.1)

12. Due to the lack of detail, Queensland is unable to assess the impact of the proposal for an 'additional insurance premium' that is part of the Commission's preferred approach. Further detail should be provided on the quantum and workings of this proposal. (Volume 1, Page 18)

Introduction

13. The Queensland Government Submission to the Productivity Commission Inquiry into Natural Disaster Funding Arrangements (the Inquiry) is the government's formal response to the Inquiry and was compiled in accordance with the terms of reference that were made available on 28 April 2014. The Queensland Government Submission addressed the topics presented as being within the scope of the Inquiry to analyse current Federal, state and territory expenditure on natural disaster mitigation, resilience and recovery.

14. The Productivity Commission Inquiry into Natural Disaster Funding Arrangements Issues Paper (the Issues Paper) was made available on 9 May 2014. The Queensland Government response to the Issues Paper provided ancillary information to that submitted in the Queensland Government Submission to the Inquiry.

15. The Queensland Government Submission and response to the Issues Paper clearly demonstrate that Queensland and Australia will always be exposed to major costly disaster events and that natural disasters have had devastating impacts on all sectors of the Queensland community. They also provide clear evidence that Queensland has made a significant investment in rebuilding and recovering the state, while also improving disaster resilience across all elements of infrastructure and community to reduce the impacts of future disaster events.

16. On 25 September 2014 the Commission released its Draft Report, including nine findings, 16 draft recommendations, nine supplementary or technical papers and 11 requests for information. The Commission is seeking post Draft Report submissions by 21 October 2014.

17. The Queensland Government's response to the Draft Report has endeavoured not to repeat information previously submitted to the Commission, unless necessary to highlight issues that may not have been given adequate consideration.

PART 1 - Queensland Government response to the Draft Report

The Queensland Government has reviewed the Draft Report in detail, and would ask the Commission to consider the following key areas of feedback:

1.1 Reduced Commonwealth funding for state and local governments

18. The Queensland Government always welcomes the opportunity to consider fundamental reform to Federal – State relations. Significant changes such as those proposed by the Commission could only be considered in the context of the Commonwealth's White Paper on the Reform of the Federation and the Taxation White Paper. This is supported within the Draft Report itself, on page 21: "arguably, a more enduring and optimal solution to improving natural disaster funding arrangements would involve achieving significant, lasting reforms to federal financial relations."

19. As such, the recommended arbitrary reduction of Commonwealth Government natural disaster funding support from 75 per cent to 50 per cent is not supported. The Queensland Government believes the current cost sharing arrangements should remain in place.

20. The recommended reduction appears to be based solely on the realisation of fiscal savings, and over the period 2011 to 2014 would have resulted in a reduction in funding to Queensland of $2.7 billion. The Commission notes that "the cost savings would have been particularly high in years following catastrophic natural disasters"[3], a position that, if adopted, would represent an extraordinary abrogation of Commonwealth responsibility towards its citizens in times of greatest need.

Federal Treasurer Joe Hockey (then Shadow Treasurer), in 2011: "When it comes to these sorts of disasters, it is a case of whatever it takes. Australia is a rich-enough nation to be able to handle the worst of mother nature – floods, droughts, you name it, all the horrible events that occur on a regular basis." Treasurer Hockey was also quoted as saying that the Australian economy was robust enough to be able to survive any damage caused by the Queensland floods, and there was no doubt the disaster would hurt the federal budget's bottom line, but it should not affect the level of assistance the Commonwealth provides to rebuild flood ravaged parts of Queensland" (ABC News online, 5 January 2011)

21. The Draft Report uses the level of cost sharing for other activities (such as education and health) as the benchmark for determining whether the 75 per cent reimbursement rate is appropriate. The large majority of NDRRA expenditure in Queensland has been related to

[3] Productivity Commission. Draft Report Volume 1. September 2014. Page 20.

infrastructure recovery such as for the road transport network. Traditionally the funding for most road projects under the National Partnership Agreement for Land Transport is based on an 80 per cent Commonwealth contribution and 20 per cent Queensland Government contribution. Consistent with this, the Coalition's election policy for the Bruce Highway stated that "anything less than an 80/20 split makes fixing the Bruce Highway vulnerable to delay or a failure to fix it at all". Using cost sharing for road infrastructure as a benchmark would support an argument to increase the level of Commonwealth NDRRA funding rather than reduce it.

22. The recommended doubling of the annual threshold for natural disaster funding support is not supported and should be reconsidered. This increase will have significant financial implications for the Queensland Government's ability to provide relief and recovery to those in need, particularly before mitigation strategies are both in place and proven.

23. The recommendation to increase the small disaster criterion nearly ten-fold from $240,000 to $2 million is also not supported. This recommendation will have substantial impacts on local governments and communities in Queensland and should be reconsidered.

24. Since 2011, in Queensland this change would have resulted in eight NDRRA activated natural disaster events falling below the threshold for small disasters, impacting more than fifty local government areas. This includes eight indigenous councils that have no rates base to support increased recovery costs.

25. The impact of reduced natural disaster recovery and reconstruction funding would be most felt in North and Far North Queensland, where road damage accounts for a substantial portion (approximately 80 per cent) of NDRRA expenditure. This is in direct conflict with the Commonwealth's policy priority of developing Northern Australia. The final report of the Parliamentary Joint Select Committee on the Development of Northern Australia found that the development of road infrastructure is critical to the economic and social development of Northern Australia. "Sealing and flood-proofing these roads along their entire length would allow year round access for industry, tourists and residents, significantly reduce travel times and facilitate economic opportunities."[4]

26. Any reduction in funding to repair the essential infrastructure network of North Queensland when it is subjected to natural disasters would be inconsistent with the goal of developing the long term sustainability of the region, and would be damaging to economic opportunities, job growth and productivity in this important area. Any delay in repairing damaged essential road networks translates into economic impacts for the broader region.

27. The block grant model outlined in Option 3 would be just as detrimental for Queensland communities. Setting the event trigger at 0.2 per cent of State Revenue would mean that Queensland would only qualify for natural disaster assistance for an event causing more than $90 million damage. Of the 29 activated Queensland natural disasters since July 2010, only nine would be eligible for Commonwealth assistance under this option meaning a loss

[4] Commonwealth of Australia. *Pivot North: Inquiry into the Development of Northern Australia – Final Report.* September 2014.

of $2.9 billion in NDRRA funding to the State, on top of the cost of more than $3 billion in NDRRA contributions already borne by Queensland.

1.2 Reduction in eligible activities

28. The recommendation to cease reimbursement under NDRRA for assistance to businesses and primary producers is not supported and should be reconsidered. (Draft recommendation 3.5)

29. This draft recommendation requires additional clarity – it is not clear whether the Commission is proposing that all assistance should cease, or only assistance that replicates other funding should be removed. To Queensland's knowledge, the NDRRA is the only effective source of funding to primary producers and small businesses to assist with disaster recovery.

30. Draft Finding 2.7 states that if governments do provide assistance to businesses and primary producers, untied grants are a more efficient, effective and equitable instrument than loans and subsidies. The Draft Report does not provide any in-depth discussion of the proposed criteria for provision of these untied grants, so it is difficult to assess how effective or equitable they would be for businesses.

31. Assuming no other funding is made available, recommendation 3.5 would affect primary producers by removing access to loans and grants, freight subsidies for the movement of recovery materials such as fodder, building materials, equipment, water and fuel, clean up and recovery grants and industry support for more severe natural disasters.

32. Queensland's agriculture industry contributes significantly to the state and national economy. With Queensland accounting for nearly half of Australia's cotton production, 28 per cent of Australia's fruit and vegetables (including almost all of the country's bananas), and 95 per cent of Australia's annual sugar cane crop[5], natural disaster damage in the state has a significant impact on the Australian economy as a whole. Agriculture is a business that is highly exposed to risk from adverse weather; in the Queensland context this is the extremes of drought and extreme rainfall events. In the context of a changing climate, it is likely that the cost of insuring against weather risks will rise. The ability of agriculture to insure against production risks is limited.

33. NDRRA assistance to primary producers has been concentrated in years with significant natural disasters, i.e. Cyclone Larry and the 2010-11 Queensland Floods and Cyclone Yasi. The proposed removal of grants and loans to businesses and primary producers does not take into account the central socio-economic role of these businesses within a local community, in particular during and in the immediate aftermath of a natural disaster.

34. The Draft Report references other changes to reduce eligible activities under the NDRRA, while not including them as specific recommendations. One area referred to in Section 2.2 is changes to funding available for counter disaster operations (CDO).

[5] IBISWorld. *Queensland floods: The economic impact*. 2011. www.ibisworld.com.au

35. Under the current arrangements, the states and territories have been working with Emergency Management Australia (EMA) to review the terms and eligibility criteria for CDO. This collaborative process has resulted in improved clarity on the application of the eligibility criteria. These negotiations are recently complete and are expected to deliver revised eligibility criteria for CDO and an evidence-based approach to identify what are 'extraordinary CDO for the protection of the general public' that are 'additional to the normal responsibilities of state and local governments' as depicted at Figure 3.5 of the Draft Report.

36. The Queensland Government would propose that, given the progress made to date, the EMA-led inter-jurisdictional negotiations should be the avenue through which any revised CDO arrangements should be implemented.

37. The Queensland Government already bears the costs for planning and preparing for all hazard disaster events including infrastructure, equipment, training, and base salaries. NDRRA claims are based on 'out of scope' extraordinary costs for aspects such as overtime and the deployment of people and equipment into disaster impacted areas. These are costs that are beyond the capacity of the state to resource internally.

1.3 Reduced assistance for individuals

38. The recommendation to cease reimbursement under NDRRA for relief payments for emergency food, clothing or temporary accommodation is not supported and should be reconsidered. (Draft recommendation 3.5)

39. This recommendation will cause strain on both local governments and non-government organisations (NGOs) to support individuals and families living below the poverty line.

40. As outlined in the Queensland Government submission (Section 5: 71-72), Queensland has recently undertaken significant reforms of its Personal Hardship Assistance Scheme. The reforms have provided for greater targeting of the impact area in a natural disaster, resulting in more directed analysis of need and service provision to the most impacted members of the community.

41. The reforms, approved in October 2013 and now embedded as standard community recovery practice, include:

- targeted activation of grants matched to damage assessments – so the people who are most affected get the support they require
- more appropriate application of the Immediate Hardship Assistance (formerly Emergent Assistance Grant) criteria – thereby reducing fraud and improving accountability of the expenditure of public money
- replacement of the old income and assets test with a single income test based on the National Rental Affordability Scheme – making it simpler for Queenslanders to apply and reducing red tape
- improved access to damage assessment data, meaning applications can be cross-checked and more effectively target people most in need

- mobile recovery approach using a combination of the Community Recovery hotline, outreach and mobile recovery hubs – making the service more accessible to more Queenslanders
- emphasis on personal resilience and working within available local resources.

42. The Queensland Government has also worked closely with NGOs and provides funding and referrals to ensure that clients are referred for in-kind services or emergency relief if they are experiencing significant hardship or remain in need after the initial seven day application period.

43. The Commission's Draft Report does not seem to take account of the Queensland reforms, which require local capacity to be exhausted before the personal hardship assistance is activated. For small scale events, where in-kind services meet the community's support needs, NDRRA has not been accessed. The Queensland trigger for Personal Hardship Assistance is already defined as being where local capacity is exhausted.

44. The reforms recently introduced into Queensland demonstrate not only a reduction in costs but also better targeting of assistance, increased capacity for local service provision and faster service delivery to the most impacted. In addition, incidence of fraud has reduced.

45. The Draft Report proposes replacing personal hardship assistance under NDRRA with a much reduced one-off payment to affected individuals and families administered through a central Commonwealth agency. It is agreed that there is confusion in the community between Commonwealth and State assistance, particularly when both are provided. The Queensland Government suggests that local government and/or community agencies are best placed to both assess need and deliver services, and as such a preferable approach to resolving duplication may be to continue funding locally-based personal hardship assistance services.

1.4 Process for assessment of damage

46. The proposed approach outlined in the Commission's reform options to base funding packages on damage assessments has the potential to slow recovery if subjected to the Commonwealth oversight processes similar to those imposed on the reconstruction program.

47. There is also a lack of clarity in the Draft Report over whether this approach would be applied across Options 1, 2, and 3 in the same way. This should be clarified in the final report.

48. Queensland has a well-developed damage assessment process and in 2014 has been able to provide relatively accurate damage assessment figures within 4-6 weeks of a natural disaster impacting, through a combination of liaison with local governments, on-ground assessments and tools such as flood mapping. This can be extended to a period of up to three months in northern and western areas susceptible to lengthy and severe wet seasons.

49. The work undertaken by Queensland to develop the DARMsys™ rapid damage assessment and monitoring system[6] helped ensure that resources were directed to where they were most needed immediately after a natural disaster. Following the disaster events of 2013, enhancements allowed spatial data and supporting photographs to be captured to provide evidence of damage to local government roads and infrastructure, streamlining the NDRRA application process in Queensland. By linking this damage capture to benchmark information for activity rates and material costs for reconstruction, collated over the last three years, Queensland is well positioned to develop cost estimates for identified eligible disaster damage.

50. There is currently no single estimation tool at a Commonwealth level that would effectively meet the specific needs outlined in the Draft Report. However, the need for estimation tools to develop a consistent reporting framework for disasters has been previously identified, and significant work has been undertaken in developing the National Impact Assessment Model (NIAM) by both the Commonwealth and a number of jurisdictions. The Queensland Government would support the use of NIAM, but notes that significant work would be required to ensure the adequacy of the model to deal with rapid damage assessment and benchmarking costs.

51. Raw data collection through the existing NIAM cannot give a complete and detailed picture in terms of type and scale of damage. Additional measures to identify scope and scale would be needed and it should be recognised that this process would take up to two years to develop, trial and implement.

52. There is a need to balance the requirement to collect information with expanding NIAM or another duplicative process into an onerous, difficult and time consuming activity for states, local governments and those impacted by a disaster event. There will be a significant resource impact on the state and local governments to undertake the expanded work that would be required.

53. Additionally, the timing lag that would be experienced while detailed data assessment is undertaken and independently confirmed would have a significant impact on disaster-affected communities. This is especially relevant given Queensland's large geographical area and the fact that key access routes in the north of the state are often cut for weeks at a time during the wet season. The existence of the agreed funding arrangements under the current NDRRA has been recognised by the World Bank[7] as world's best practice, in that it allows for rapid response and recovery.

54. The suggested level of $5 million at which additional assessment auditing would apply should be substantially increased, and auditing processes should be subject to a time limit to ensure community recovery is adequately funded and recovery and rebuilding can progress quickly. Under the process proposed in the Draft Report, there is potential that a disaster occurring in January may not have funding confirmed until the end of the financial

[6] Queensland Reconstruction Authority. What is DARMsys? 2012. www.qldreconstruction.org.au/about/darmsys
[7] The World Bank. *Queensland – Recovery and Reconstruction in the aftermath of the 2010/2011 events and Cyclone Yasi*. June 2011.

year in June – a substantial and unacceptable delay in starting to rebuild and recover Australian communities.

1.5 Mitigation

55. The recommendation to increase Commonwealth Government funding for mitigation projects is strongly supported. However, the quantum of funding recommended will not be sufficient to have an ongoing positive impact towards reducing recovery and rebuilding costs.

56. The Queensland Government maintains that the Commission's assumption the current NDRRA thresholds for Commonwealth-State contributions act as a disincentive for states and territories to fund mitigation works is incorrect. In addition to its contribution to NDRRA funding, which over the past six years has been in excess of $3 billion, Queensland has provided large amounts of funding for reconstruction, mitigation and resilience works that are outside the scope of the NDRRA.

57. The Queensland Government has already committed significant investment of more than $500 million in mitigation over a four-year period, including:

- more than $350 million in complementary funding towards roadworks during reconstruction
- major flood mitigation projects in Toowoomba, Charleville, Roma, St George and Bundaberg
- contributions to the jointly funded Natural Disaster Resilience Program
- $40 million contribution to the Queensland Betterment Fund
- more than $65 million in flood mitigation funding under the Royalties for the Regions and Local Government Floods Response Subsidy programs
- investment in flood gauges and warning systems around the state to reduce the level of damage and the costs incurred as a result of disasters
- community resilience programs such as the RACQ Get Ready Queensland preparedness and resilience initiative
- the state response to the Queensland Floods Commission of Inquiry, including the delivery of the Queensland Flood Mapping Project
- ongoing delivery of the Queensland bushfire prone area mapping project
- development of the Queensland Strategy for Disaster Resilience, which aims to make Queensland the most disaster-resilient state in Australia (further information at section 2.3 below).

58. These investments are in addition to significant Queensland Government expenditure on both soft and hard mitigation in hazard awareness, hazard reduction, emergency management capability and planning, building code regulation, land use planning and infrastructure construction activities.

59. Demand for mitigation in Queensland has significantly increased in recent years following the catastrophic disaster events from 2010-11 onwards. As well as the appetite for the Queensland Betterment Fund previously detailed, where more than $1 billion in applications were received for an $80 million funding pool (Queensland Government Submission, section 6, paragraph 78), applications for mitigation and resilience funding have also been substantially oversubscribed.

60. Between 2012 and 2014, 358 applications totalling more than $630 million were received under Queensland's Natural Disaster Resilience Program (NDRP), Royalties for the Regions (R4R) and Local Government Floods Response Subsidy (LGFRS). Approximately $108 million in funding was available under these programs.

61. The Commission advocates the Commonwealth Government should use some of the 'imputed savings' from reductions in relief and recovery spending on mitigation, however, the proposed contribution of $200 million per annum across all jurisdictions represents a massive shortfall in the reinvestment of savings. In Queensland's case over the past four years this proposal would mean replacing $2.9 billion in NDRRA funding with $160 million in mitigation funding, a shortfall of more than $2.7 billion.

62. The actual required cost of mitigation works is difficult to estimate without a specific study of the scope, scale and probability of required works. After the 2013 natural disasters in Queensland, which had an original damage bill of approximately $2.5 billion, requests for resilience funding through the Betterment Fund to the value of $1 billion were received (approximately 40 per cent of the damage bill). Extrapolating this across the $14 billion in natural disaster damage in Australia over the past ten years, it would be reasonable to suggest a $500 million annual investment in mitigation and resilience funding would be more appropriate. It would be a gross failure by all levels of government if we neglect to adequately invest in the protection and safety of all Australians.

63. The Queensland Government supports, and already undertakes, rigorous analysis and assessment of mitigation and resilience projects (further detail is provided in Part 2, section 2.3). The Commission's proposed risk assessment processes would impose additional conditions and costs on projects, which may be a considerable disincentive to project proponents similar to the current betterment provisions in the NDRRA. Spending more money in planning and risk assessment would require yet another investment in resources from state and local governments when they can least afford it.

64. Individual states' National Emergency Risk Assessment Guidelines (NERAG)-based assessments would not be suitable for inter-state risk comparison because of the subjectivity inherent in the NERAG approach and the absence of any moderation between individual state assessments. Comparability between state assessments would require a single competent authority, such as GeoScience Australia, to conduct NERAG-based assessments in each state and territory.

65. The Queensland Government also considers that Commonwealth annual mitigation expenditure should be allocated to states or projects according to their relative risk profiles rather than on a per capita basis. As mentioned on page 135 of the Draft Report, "…it is

also important that the selection and prioritisation of mitigation activities be based on robust decision making frameworks that incorporate cost benefit analysis to determine the best way to allocate scarce resources". If the Commission intends this mitigation funding to gradually replace the traditional post-disaster NDRRA funding and be effective, then these funds should be allocated based on national levels of risk rather than population, in order to appropriately and effectively target the most exposed and vulnerable communities and assets nation-wide.

66. Given the comparatively high exposure and vulnerability of its communities, Queensland would be at a distinct disadvantage if the allocation of Commonwealth mitigation expenditure were to be on a per capita basis as currently proposed in the Draft Report.

67. Real savings across all levels of government will follow from more extensive and better-targeted mitigation, translating into reduced impacts and, as a consequence, lower response, recovery and rebuilding costs. These savings will be in proportion to levels of effective mitigation. The 'insurance losses by natural hazard' data presented at Table 1 page 5 of the Draft Report offers a basis for targeting mitigation funding to states according to prevailing risk. Table 1 supports research undertaken by Risk Frontiers, Macquarie University[8], which uses house equivalent losses to all natural hazards over the 111 years up to 2011. Both sets of data show that NSW and Queensland incur a significantly greater proportion of disaster impact than their per capita share.

68. Queensland's Department of Transport and Main Roads has invested in developing a list of projects that could be undertaken to improve the resilience of the network at locations that have been damaged over multiple natural disaster events. This list is prioritised based on extent of damage over previous years, traffic volumes, economic benefit of the road (e.g. major freight route), community impacts, and return on investment (cost of making road more resilient versus ongoing costs of replacing to existing standard following natural disasters).

69. The Commission's proposed user charges and 'beneficiaries pay' approaches to funding mitigation options present difficulties for both state and local governments. While rates charges and local levies are a matter for local governments, the Queensland Government notes these additional costs would be passed on to ratepayers in an environment of reductions in Commonwealth funding for local government and increasing rates charges. The capacity of local governments with limited revenue and population bases to pass on additional costs to property owners for mitigation is questionable. For example, in Diamantina Shire in Queensland's central west, which spans an area of 94,823 km^2, a local government investment in mitigation of $500,000 would equate to approximately $1760 per resident, or $4098 per rateable property.

70. The theoretical argument for beneficiary pays is not appropriate in this instance because:

- in most cases it would be very difficult to quantify the financial benefit of mitigation to individuals and communities

[8] Risk Frontiers. *Historical analysis of natural hazard building losses and fatalities for Queensland 1900-2011*. October 2012.

- benefits would tend to spread more widely than the immediate geographic area creating externalities
- there would be no clear rationale to implement beneficiary pays arrangements for disaster mitigation, when general tax revenue is used to pay for other social services and infrastructure.

71. The Queensland Government suggests the Commission should undertake further work to examine the full implications of these measures prior to delivering its final report. While it is acknowledged there is some merit in providing a clear signal about the cost of mitigation and incentives for efficient use of a service or asset, the distortionary effect of rates increases or levies may in fact hamper local economic activity and the competitiveness of trade and industry, costing more than the revenue generated.

72. While the Queensland Government supports private investments in mitigation and the use of insurance as an effective risk management measure, both activities have constraints.

73. The need for a particular asset (e.g. a building or road) is generally driven by the need for a particular service outcome (e.g. improved access to education, healthcare, energy, transport). Therefore, risk avoidance is not always appropriate and other risk controls (e.g. engineering, insurance, acceptance) will continue to be relevant.

74. It is noted that Section 1.2 of the Draft Report refers to risk management as 'a process that can reduce the impact of risks, including by managing the consequences when they occur'. Further, the Report goes on to state that, 'even when little can be done to reduce the probability of natural hazards, it is possible to reduce the exposure and vulnerability of the community, and hence natural disaster risk'.

75. The Queensland Government considers that the emphasis of this section is at odds with draft recommendation 3.2, which suggests that the Commonwealth annual mitigation expenditure be allocated on a per capita basis, not according to the risk profile of each state.

76. As was argued in the Queensland Government submission (conclusion, paragraph 141), Queensland's geography and the spatial distribution of its economic centres and infrastructure, together with its location within the tropics and sub-tropics, dictates that the state will never be disaster-proof or be able to completely mitigate against all impacts from natural disasters on infrastructure. Maintaining an equitable funding contribution reflective of relative fiscal capacities across all elements of mitigation, recovery and reconstruction is integral to ensuring the ongoing safety and prosperity of Queensland and Australia.

1.6 Insurance and information provision

77. The Queensland Government supports managing risk and encourages mitigation strategies and development of resilient communities. Take up of insurance is encouraged, however, the existence and availability of insurance options for government assets does not necessarily ensure that investing in them will provide the best value for taxpayer funds.

78. The Commission’s proposal to remove insurance duty would decrease Queensland revenue by approximately $840 million in 2014-15. Any proposal to remove state taxing capability should be linked to the Commonwealth’s White Paper on the Reform of the Federation and the Taxation White Paper, and not as a consideration in the review of natural disaster funding arrangements. States can ill afford to lose this revenue source. It is contradictory to recommend a reduction in a revenue source for the State while at the same time proposing that states should shoulder more of the fiscal responsibility during times of natural disasters.

79. The Queensland Government Insurance Fund (QGIF) undertakes an annual exercise to review and place insurance coverage across Queensland Government assets. The last time QGIF actively sought insurance for the State's road assets was in 2011. QGIF’s approach to the market at that time met with a poor response with reinsurers declining to provide quotations for traditional asset-based cover.

80. While one reinsurer indicated some interest in exploring a non-traditional concept for roads, it represented an attempt to create an innovative but untested concept. Extensive material was requested and meetings held, but the exercise was ultimately halted as no definitive, cost-effective solution emerged and the time and costs associated with the exercise were becoming prohibitive.

81. The Australian Government Department of Finance and Deregulation’s *Review of the Insurance Arrangements of State and Territory Governments under the Natural Disaster Relief and Recovery Arrangements Determination 2011 Phase 2 Report*[9] provides an overview of the difficulties associated with securing coverage for roads and potential non-traditional risk transfer options.

82. This review also suggested that the Commonwealth explore the development and viability of non-traditional products that are not established products in Australia, as well as the establishment of participating funding pools as alternative insurance for roads.

83. In relation to insurance assistance for primary producers, while farm businesses can insure property and infrastructure against loss, production risk is difficult to insure and seldom insured against. A review of insurance options for agriculture was conducted by the National Rural Advisory Council[10], and found that Governments have a role in assisting Australian agricultural industries to increase their self–sufficiency and to better manage weather–related risks to production.

84. The Draft Report notes the risk of government backed insurance schemes in Draft Finding 4.2. Business assistance under the NDRRA is an obvious and transparent measure intended to support economic recovery from a natural disaster. Government backed insurance schemes are potentially less transparent than the current process and there is the risk that

[9] The Department of Finance and Deregulation. *Review of the Insurance Arrangements of State and Territory Governments under the Natural Disaster Relief and Recovery Arrangements Determination 2011, Phase 2 Report*. September 2012. page 35-42.

[10] National Rural Advisory Council. *Feasibility of agricultural insurance products in Australia for weather-related production risks*. September 2012.

depending on the level of government backing, the amount of money paid by government could be higher than under the current arrangements.

85. In relation to the Commission's recommendations around insurance for individuals and businesses, Queensland has already undertaken many of the actions suggested in the report as an outcome of the 2010-11 Queensland Floods. Insurance issues have also already been investigated in detail by the Natural Disaster Insurance Review in 2011.

86. The Queensland Government has entered into a Memorandum of Understanding with the Insurance Council of Australia to assist delivery of fairer insurance, by providing insurance companies with free access to spatial data on flood mapping and elevations, to reduce the uncertainty for insurance companies in assessing risks and calculating insurance premiums.

87. The Queensland Government's Open Data initiative has been important in making more datasets publicly available, including flood mapping, and disaster recovery information such as government employee deployment data, disaster locations, including centre locations for geospatial mapping, and grant application information.

88. Queensland has made its state-wide natural hazard risk assessment available to the public online since 2011. In December 2013, Queensland began publishing revised bushfire hazard mapping online, depicting bushfire hazard to individual properties across the entire state, and this mapping is being progressively refined. Queensland also has work underway to enable Natural Hazard Risk Registers to be developed across the state.

1.7 Hazard assessment and land use planning

89. It is well accepted that addressing natural hazards through appropriate land use planning can significantly reduce the financial and other resource pressures placed on all levels of government, industry and the community to respond to and recover from natural disasters.

90. Following the devastating Queensland Floods of 2010-2011, the Queensland Floods Commission of Inquiry devoted a substantial amount of attention to framing recommendations designed to improve land use planning processes as they related to flooding.

91. In response to the recommendations of the Floods Commission, the Queensland Government has implemented a range of actions designed to support improved land use planning outcomes as they relate to avoiding or mitigating the risks associated with natural hazards.

92. The provision of flood data by government is an important and proactive step the Queensland Government has taken through the Queensland Flood Mapping Program, to help the community understand their local risks so they can assist to reduce the potential threat to property and infrastructure from future events. The Queensland Flood Mapping Program has already developed reports and flood hazard maps for 104 towns across Queensland. Up to a further 100 new and updated projects are to be completed in 2014-15, of which 51 are already complete. Through this program the insurance industry

has access to up to date flood information, is better informed and hence able to prepare more accurate risk assessments and premiums.

93. Since 2012, the government has been delivering a significant planning reform agenda, which has included the development of a single State Planning Policy (SPP) to articulate the state's interests in local planning decisions (Attachment 1). The SPP provides a comprehensive set of principles that underpin all planning and development decisions and processes in Queensland; it replaces an existing set of poorly integrated and less than comprehensive state planning policies that had been developed by various state agencies for different purposes.

94. The SPP establishes all policies and matters of state interest that must apply when making or amending a local planning scheme and designating land for community infrastructure. Compliance with the SPP is confirmed through a State interest review process prior to the relevant Minister approving the planning scheme taking effect. Where the SPP has not been appropriately integrated into a local planning scheme, the SPP interim development assessment provisions must be applied by local government when assessing development applications.

95. The SPP includes a 'Natural hazards, risk and resilience' section, which seeks to ensure natural hazards are properly considered in all levels of the planning system, community resilience is increased and hazards are avoided or the risks are mitigated to an acceptable or tolerable level. The natural hazards that can be prepared for through land use planning and development decisions are flood, bushfire, landslide, storm inundation and coastal erosion.

96. In this way, the existing framework encourages local governments to properly consider and articulate natural disaster risk appetite when land use planning around hazards, risk and resilience.

97. In addition to the SPP document, a range of supporting guidance material has been prepared by the Queensland Government to assist in the implementation of policy. Comprehensive guidelines have been prepared for flood, bushfire and landslide, as well as for coastal hazards (Attachment 2). The guidelines promote integrated, evidence-based processes based on risk assessment and management that empowers local governments and their communities to plan for their local circumstances and contribute to achieving a safer and more resilient Queensland.

98. Further information on Queensland's role in land use planning has previously been provided in section 5 (Queensland's investment in resilience) of the Queensland Government Submission to the Inquiry and paragraphs 55, 64-65, 81-90 and 116-120 of the Response to the Issues Paper.

PART 2 – Additional information and responses to requests for information

2.1 Budget treatment of natural disaster risks

1. The Commission's Draft Report recommends the Australian Government should publish estimates of future costs of natural disasters to its budget in the Statement of Risks and provision through annual appropriation for base level of natural disaster risk that can be reasonably foreseen (Draft Recommendation 3.3).
2. Although governments have the ability to make provisions for any number of unforseen or unpredictable expenditures, it is somewhat impractical for governments to publish estimates of future costs of natural disasters within budget estimates.
3. Given the history of disaster events in Queensland, it would be problematic to attempt to predict future disaster costs. The best way to manage the risk of these unforseen events is for governments to maintain a strong balance sheet to allow the flexibility to deal with significant and unexpected cost pressures.
4. The response of ratings agencies to the Commission's proposed changes is presently unclear. In the event of a significant disaster event, as witnessed in recent years, ratings agencies may be more likely to consider action if there is a drastic reduction in the Commonwealth Government's contribution to a state's recovery.
5. The Commission seeks information in relation to how asset management planning is integrated into state and local government budgets.
6. The Queensland Commission of Audit recommended that all government agencies produce 10-year total asset management plans. The Queensland government accepted this recommendation and endorsed the Total Asset Management Plan Framework.
7. The Framework seeks to ensure the Queensland Government's assets best support its service delivery objectives in a financially responsible, transparent and consistent manner.

2.2 Funding arrangements for recovery

8. The Commission's Draft Report recommends the Australian Government reduces its NDRRA cost sharing contribution from 75 per cent to 50 per cent and increase the triggers for assistance (small criterion and annual expenditure threshold) (Draft Recommendation 3.1).
9. In response to the Commission's request for further information from state and territory governments for natural disaster costs by event, a list of NDRRA events activated in Queensland, categorised by expenditure is included (Attachment 3). This is based on current NDRRA rules and aligns with information referred to by the Commission in its Draft Report, Volume 2, page 464.

Counter Disaster Operations

10. The Commission further seeks information regarding the definition of Counter Disaster Operations (CDO) under the NDRRA and its application by states and local governments.

Since late 2013, states and territories have been working with Emergency Management Australia to review the definitions and eligibility criteria for CDO activities. This process has addressed a number of elements surrounding the application of the CDO eligibility criteria.

11. These negotiations are complete with a revised Guideline distributed by EMA to states and territories, amending the eligibility criteria for CDO under the NDRRA. The revised guideline identifies what necessitates “extraordinary CDO for the protection of the general public” that is “additional to the normal responsibilities of state and local governments”, as depicted in Figure 3.5 of the Draft Report.

12. Queensland does not support more explicit definitions of CDO, as this would be self-limiting and counterproductive. Attempting to list all eligible activities creates a rigid framework that could not take into account the varied circumstances and issues associated with individual disaster events and their resultant conditions.

13. Queensland believes that the EMA-led inter-jurisdictional negotiations are the appropriate avenue through which to negotiate CDO arrangements however, further national policy changes on eligibility could benefit from final review and endorsement at either ANZEMC or COAG.

14. To date, CDO costs are not subject to separate Australian Government cost-sharing arrangements. Queensland currently absorbs costs for planning and preparation for all hazard disaster events including infrastructure, equipment, training, exercises and base salaries. Only extraordinary costs directly related to eligible CDO activities are passed on to the Commonwealth through NDRRA. These claims are based on extraordinary costs for aspects such as overtime, deployment and control costs that are beyond the capacity of the state/local government to resource internally.

15. Local governments use their internal staff, resources and plant in a first response, CDO situation. A local government will exhaust their staff and plant before engaging local contractors. Costs incurred under NDRRA only relate to overtime and extraordinary costs relating to consumables, such as fuel. Plant, such as vehicles, is procured once their own supply has been exhausted.

16. During large-scale disaster events, local contractors, such as Red Cross and other NGOs, will exhaust their capacity quickly and be required to engage additional staff from outside the disaster area. As a result of local governments utilising their own staff, resources and plant, there is a reduction in core council activities during disaster periods. This should be recognised in any estimation of council’s capacity to respond.

2.3 Funding arrangements for mitigation

17. The Commission’s Draft Report recommends if the Australian Government reduces the relief and recovery funding it provides to state and territory governments, it should increase annual mitigation expenditure gradually to $200 million, distributed to the states and territories on a per capita basis (Draft Recommendation 3.2).

18. The draft recommendation further suggests that increased mitigation funding should be conditional on best-practice institutional and governance arrangements for identifying and selecting mitigation projects.

19. While Queensland agrees that an increase in mitigation funding is necessary, funds should be apportioned on a risk-based approach as opposed to a per capita basis. A more efficient and effective outcome would be achieved by targeting the funds where they are needed most.

20. Queensland's establishment of an Office of the Inspector-General Emergency Management and the recently launched Emergency Management Assurance Framework supports broader reform in the disaster management and resilience sector. This Framework provides the State with best-practice institutional and governance arrangements, and helps guide the identification and selection of mitigation projects.

21. Developed in partnership with 70 disaster management stakeholders drawn from a variety of state government, local government and non-state agencies, and aligned to the Queensland Strategy for Disaster Resilience, the Framework contains the Standard for Disaster Management in Queensland.

22. The Standard sets out key outcomes, good practice attributes, indicators and accountabilities across six shared responsibilities, including Hazard Identification & Risk Assessment and Hazard Mitigation & Risk Reduction. The Standard is supported by assurance activities that provide a level of assurance of disaster management effectiveness, as well as a basis for monitoring and assessing individual and collective performance across the Queensland disaster management sector.

23. The Framework puts Queensland in a position of confidence that its mitigation activities appropriately address its risk profile.

24. Applications for mitigation and resilience funding under Queensland's Natural Disaster Resilience Program (NDRP), Royalties for the Regions (R4R) and Local Government Floods Response Subsidy (LGFRS) are assessed using the following criteria:

1. The project informs development of appropriate mitigation strategies such as flood management studies, mapping and modelling

- complements, where relevant, existing flood studies and mapping (such as mapping undertaken by the Queensland Flood Mapping Program)
- addresses an identified area of need that has been impacted historically and considers all communities within a catchment
- the project improves information on flood inundation and overland flow to meet urban land use planning and disaster management needs
- incorporates consultation with neighbouring council.

2. The project provides infrastructure that builds resilience for the community and achieves improved mitigation outcomes

- supported by a recent flood management study that clearly demonstrates why it is a preferred option and has considered the impact of the infrastructure on other communities in the catchment
- evidence of need for the project demonstrated through the historical impact of flooding events
- demonstrates that the infrastructure will reduce the impacts of flooding to the built environment and in particular will protect lives and property and/or essential infrastructure
- improves flood mitigation infrastructure and enhances liveability and community resilience.

3. The project is collaborative and based upon a regional catchment approach

- the project demonstrates a regional or catchment area approach to mitigation
- evidence that consultation has occurred with relevant affected and neighbouring councils.

4. The project is financially sound and is ready to be delivered

- a project budget is provided that gives a breakdown of costs
- the project is financially sound, including demonstrated value for money and a plan for the viability of the project (such as applicant's ability to manage, operate and maintain the infrastructure following construction)
- the applicant has the capability to deliver the project, such as appropriate staff expertise and capacity to manage the implementation of the project (capability may be sourced externally)
- all factors in relation to the site details for infrastructure projects have been considered
- the project can be delivered within approved timeframes
- the project will comply with applicable legislative, industry or regulatory requirements
- the project's effectiveness will be evaluated by the applicant post completion
- the applicant has the capability to deliver the project (where applicable).

5. The project has demonstrated community support

- the application includes evidence of community consultation regarding the project
- the application includes evidence of a priority need and clear benefits to the community.

Figure x – Assessment criteria for Queensland's NDRP, R4R and LGFRS grants

25. The Queensland Strategy for Disaster Resilience guides resilience activities in the state. The Strategy defines disaster resilience at both the state level and within the functional areas of disaster management. It provides strategic direction to achieve the Queensland Government's vision for resilience across all sectors: community, economy, natural environment and the built environment.

26. The Strategy is aligned to arrangements for disaster management that exist in businesses, the volunteer sector and at both levels of government in Queensland, but it does not replace these arrangements. Instead, it complements them by focussing on those programmes that have the potential to provide the community with the greatest benefit in terms of enhanced resilience outcomes, increased individual and community preparedness activities and timely and cost effective recovery.

27. Although an increase in mitigation funding would be welcomed, it is not feasible for Queensland to mitigate against the effects of all natural disasters, mainly due to the vast road network in the state.

2.4 Transitional requirements

28. The Commission seeks information regarding the requirements of states and territory governments to meet the proposed accountability requirements put forward by the Commission to apply to both mitigation and recovery assistance.

29. The Commission is proposing a staged three-year transition period to implement the preferred reform option, however, greater clarity is required around the allocation of funds and implementation activities across the three years.

30. Given the extensive conditions and costs to be imposed on states and territories under the Commission's mitigation proposal, it is vital state and territory governments are given an adequate length of time to meet these requirements. This would require negotiation with the Commonwealth through COAG.

31. The Queensland Government believes any mitigation funding commitment from the Commonwealth needs to be introduced fully in the first year, as project delivery timeframes mean benefits such as future reduced recovery expenditure will take some years to accrue. Many mitigation strategies are likely to extend well beyond three years, and any reduction of relief and recovery expenditure should not be implemented until after the mitigation strategies have proven to be effective.

32. Governance of transitional arrangements should be coordinated through COAG in the first instance, with ongoing inter-jurisdictional implementation arrangements delegated to another body thereafter, possibly the Australia New Zealand Emergency Management Committee.

National Impact Assessment Model

33. The Commission further seeks information regarding the extent of currently available estimation methods, such as the National Impact Assessment Model (NIAM), which could inform the estimation of benchmark costs and whether additional assessment tools need to be developed.

34. Queensland would consider the use of NIAM as a foundation for these activities, on the basis of alignment with current benchmarking activities and data collection processes already undertaken in Queensland.

35. Under COAG's direction, the development of the NIAM framework is to enable the consistent collection of data and information across jurisdictions to define a 'severe event' and act as an evidence-based reference tool to better target relief and recovery assistance and services. Although there may be opportunity to expand the NIAM functions and link the application of estimation techniques to inform benchmark costs of disasters into it, this would require substantial reassessment of some of the measures.

36. EMA is already heavily involved in the NIAM process, and should remain a key stakeholder in the potentially expanded process and function of NIAM. It would be counterintuitive to introduce any additional body to oversee the activity instead of expanding what EMA and jurisdictions have been progressing for over 12 months. Removing it from the current focus and providing additional oversight would demonstrate a short sightedness in looking at fiscal measures as opposed to broader measures for disaster response, resilience and mitigation that is the long term Commonwealth policy intent in the collection of the standardised data across the nation.

37. It should be recognised that any instrument such as the NIAM, designed as a one-size-fits-all model does not necessarily capture the disparities that exist across jurisdictions, and across types of disasters. Although it is necessary to ensure consistency across jurisdictions when assessing the disaster severity or related impacts, a one-size-fits-all model does present some challenges due to the unpredictable nature of disasters and the size and breadth of a state like Queensland.

38. Further, experience over the past 12 months has shown that the availability of data post natural disaster events is limited. This is in part because many organisations and service providers are still in response mode and do not prioritise compiling the impact indicators. Secondly, with some types of events and particularly in large-scale events, access to areas to collect data is severely limited. There will be a need to explore not just the availability of data but also the availability in collecting and/or prioritising the collection of data within a time period.

39. Further, the Commission's Draft Report states that 'a contribution would be assessed and provided at the end of the financial year in conjunction with funding for community recovery'. If a disaster occurs early in a financial year, this could leave states and local governments with uncertainty around the possibility of Commonwealth reimbursement for up to twelve months.

40. It should also be recognised that raw data collection cannot be a blunt instrument in terms of type and scale of damage on roads for example. Additional measures to identify scope and scale would be needed. There is also a need to balance the collection of worthwhile information, with expanding NIAM or similar, into an onerous, difficult and time consuming activity on states, LGAs and those impacted by a disaster event. There will be a significant resource impact on the state and local governments to undertake the expanded work that is required to meet the Commission's recommendation for additional information.

41. All states including Queensland have not formalised the NIAM. The phased progression of the NIAM model is currently due for completion by the end of 2015. If it was to be expanded to incorporate additional functions this timeframe would need to be re-examined.

2.5 Interaction with federal financial relations

42. The Commission's Draft Recommendation 3.6 suggests that the Commonwealth Grants Commission should revisit its assessment of 'average state policy' and accompanying accountability requirements for natural disaster policies once the Australian Government has announced its decision regarding relief and recovery funding arrangements.

43. This would appear to contradict the view outlined on page 21 of the Draft Report, that 'it would be imprudent at this stage to recommend ad hoc changes to the GST distribution formula due to the significant potential for unintended consequences. The White Paper on the Federation may recommend more holistic changes to both Vertical Fiscal Imbalance and Horizontal Fiscal equalisation'.

44. Any Commonwealth Grants Commission consideration of alternative arrangements should be undertaken in the context of the White Paper on the Federation, and may be best considered in the Grants Commission's next methodology review due in 2020.

2.6 Government insurance

45. The Commission suggests that state, territory and local governments should further investigate non-traditional insurance products for roads; and that where they do not already do so, state, territory and local governments should compile and publish detailed registers of road asset condition and maintenance for all roads over which they have jurisdiction (and have these registers independently audited). It is further suggested that consideration should be given to the Victorian model in this regard. (Draft Recommendation 3.4)

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

47. The reference to the Victorian model in this recommendation appears to be in conflict with Table 2.6 on page 91 of the Draft Report, which shows that local government roads in Victoria are not insured.

48. While the purchase of insurance by individuals and asset owners is strongly endorsed and promoted by the Queensland Government as a risk management measure, the ability to insure some public assets in Queensland, particularly roads, is difficult, if not impossible as the risk profile for this infrastructure is problematic and difficult to determine.

49. Issues relating to state and territory asset insurance were examined in 2012 in the Department of Finance and Deregulation's Review of Insurance Arrangements under the NDRRA Determination 2011. As proposed in the Review, the Commonwealth should take the lead role in investigating alternative insurance mechanisms for roads.

50. There is information included in the Draft Report relating to the 2012 Review that does not fully and accurately reflect the review's findings in relation to insurance. Statements made on page 373 of the Draft Report indicate that there was limited evidence that insurance options for roads had been sufficiently explored by all governments. This was not a conclusive finding of the Review, but rather was made in relation to the lack of market capacity for traditional insurance arrangements and cost effectiveness of non-traditional options.

51. The Department of Finance and Deregulation also identified a number of issues with the use of parametric insurance for roads, an option that is espoused in the Draft Report. In relation to cost it stated, "Historically, parametric products have been found to be more expensive than traditional insurance options" and "a parametric solution for road assets may not be a viable solution for reducing States' exposure in all cases."[11]

52. The Review was not able to identify any international examples of governments using non-traditional risk transfer products for roads. The Review noted that, "the limitations of these options indicate that risk transfer for road assets, whether traditional or non-traditional, may not be a viable solution for most jurisdictions."[12]

53. The Review also noted the considerable efforts made by the Queensland Government to obtain market terms for insuring road assets, and the inability to obtain cover.

54. The publication of registers of road asset conditions and maintenance may assist the commercial market in assessing the potential risk exposure of insuring the State's road assets, however, there are other factors that influence the availability and affordability of non-traditional insurance options for roads. For example, Queensland's risk profile is vastly different from that of Victoria's. Queensland's State road network spans over 33,000 kilometres.

[11] Department of Finance and Deregulation, *Review of Insurance Arrangements of State and Territory Governments under the NDRRA Determination 2011*, 2012, pages 36-37.
[12] Department of Finance and Deregulation, *Review of Insurance Arrangements of State and Territory Governments under the NDRRA Determination 2011*, 2012, page 39.

55. The value and geographic spread of Queensland's road assets, combined with its greater and more frequent exposure to the perils of flood and cyclone; as well as its long history of significant expenditure on roads restoration from natural disasters, are major considerations for reinsurers.

56. Questions relating to the varying nature of product offerings available in the commercial market, risk assessment and pricing considerations of individual underwriters, and reinsurer engagement are best to be put directly to major underwriters in the country or via the Insurance Council of Australia for an overarching industry reflection.

57. The Queensland Government is of the view, however, that premium estimates (for use in reform Option 2 for example) would need to be actuarially determined. This could be undertaken by the Australian Government Actuary rather than the Department of Finance or Comcover.

58. The Commission also seeks information on recent advances in tailored parametric or index based insurance and catastrophe bonds, or other relevant instruments through capital markets, for use by Governments to provision for natural disaster risk on an ex-ante basis.

59. In terms of parametric insurance, one of the key issues in exploring such an option is determining the agreed 'trigger' event, for example, should it be based on the extent of rainfall, locality, moving floods, time of year. This would be difficult, and potentially premiums using this method would be extremely costly, considering the recent history of extreme weather events in Queensland.

60. In this regard, while governments should continue to explore opportunities provided by financial market innovation, the fact remains that just because something is insurable privately at a price does not make it good value for money for taxpayers.

2.7 Managing shared risks

Impact on small businesses

61. The Commission's Draft Recommendation 3.5 suggests the Australian Government should cease reimbursement to small businesses under NDRRA, however, Draft Finding 2.7 states that if governments do provide assistance to businesses (and primary producers), untied grants are a more efficient, effective and equitable instrument than loans and subsidies.

62. Natural disaster events such as large-scale flooding and cyclones can result in damage to business premises, severe disruption to business operations, and loss of income. However, it is important for small businesses to be back in operation quickly to support economic recovery within a community and overall economic growth.

63. Current assistance to small businesses under NDRRA includes concessional loans to re-establish viable operations and clean-up; and recovery grants in highly impacted regions to support recovery of the community.

64. The Commission's Report does not provide any in-depth discussion of the proposed criteria for provision of untied grants, so caution must be exercised on whether untied grants would be effective or equitable for businesses.

65. For example, where primary producers operate in an environment in which loans obtained as a result of natural disasters have the potential to be offset against higher profits from good seasons, a small business impacted by a natural disaster and losing cash flow may have difficulty in servicing an additional loan. Queensland sees this as an area that warrants further investigation.

66. Part of the further investigation should also explore whether an increased emphasis on disaster mitigation and business continuity planning, to better prepare businesses, is worthwhile. For example, the US Small Business Administration, through the Pre-Disaster Mitigation Program, has provided low interest loans to businesses to finance measures to protect commercial property or contents from disaster-related damage that may occur in the future.

67. The Queensland Government is currently working on several initiatives to enhance business resilience, particularly, mitigation works and better private sector insurance risk assessment.

68. Mitigation works, such as the levee in Charleville, have allowed businesses previously uninsurable or facing very high insurance premiums to obtain more reasonable cover. As identified in the Commission's Draft Report, there appears to be a need for a much higher level of investment in these types of mitigation works.

69. In its Draft Report, the Commission presents the view that businesses are able to pay for business interruption insurance, and therefore, the case for government assistance to assist in business recovery is weak. While this view is understood, there are numerous complexities that require further investigation in determining an appropriate way to support business recovery. Complexities include:

    - recent high increases in insurance premium costs for Queensland businesses that operate in a competitive business environment may currently be leading to businesses under-insuring
    - community expectations that, in line with previous natural disasters and other segments of the community e.g. householders, there will be some assistance for small businesses for clean-up and recovery
    - current unmet demand for mitigation works means that many small businesses are still vulnerable to natural disasters.

70. In July 2014, the Chamber of Commerce and Industry Queensland (CCIQ) produced the Queensland Business Insurance Report. The CCIQ report identified from a survey of Queensland business respondents that:

- the majority (95 per cent) had business insurance, the most common products including public and products liability, workers compensation, general property, plant and equipment and professional indemnity
- 5.74 per cent of operating costs consisted of insurance premiums
- for their latest insurance renewal, there was an average premium increase of 58.2 per cent
- 12.3 per cent reported that they are underinsured and 4 per cent have discontinued their insurance cover
- only 40 per cent of commercial customers have business interruption cover
- 51.3 per cent of businesses reported decreased profitability; and 21.6 per cent reported decreased investment as a result of higher insurance costs.

71. The CCIQ report concludes that the cost of rising insurance premiums has emerged as a major constraint on businesses in Queensland and escalating insurance costs are leading to concerns that some businesses may now be inadequately protecting their assets.

Impact on primary producers

72. The Queensland Government's Department of Agriculture, Fisheries and Forestry's recent experience post-disaster indicates there is a strong preference by primary producers and their industry representatives for the activation of recovery grants under NDRRA Category C, which are more sought-after than concessional loans or freight subsidies that are the standard assistance measure available under Category B.

73. The appeal of the clean-up and recovery grants can generally be attributed to the fact that Category C grants, unlike the concessional loans, do not have to be paid back. Due to the pre-existing high levels of farm debt there appears to be limited appetite from producers to take on additional debt.

74. Currently, all forms of NDRRA business assistance are administered in accordance with the eligibility criteria established by the Australian Government. The potential for audit ensures that only those who suffered direct damage actually apply for assistance and that the recovery activities undertaken by applicants are consistent with the intent of the NDRRA. The availability of an 'untied grant,' may lead to an increasing level of interest in applying for the grants but may also lead to an increasing number of applicants undertaking activities that are not strictly in accordance with the intent of the NDRRA policy.

75. The Commission report notes that 'concessional loans are complex to administer, create an ongoing relationship between the business and the government, and lead to non-viable businesses being burdened with debt'.

76. In Queensland, NDRRA concessional loans are administered by QRAA, formerly known as the Queensland Rural Adjustment Authority. An eligibility requirement for NDRRA loan assistance is that the applicant be assessed as viable and loan applicants are required to

provide adequate security. In 2012-13, across all its loans programs (including non-NDRRA loan programs) QRAA had an arrears rate of 0.73 per cent. This indicates that non-viable businesses are not provided with NDRRA loans in Queensland.

77. Should the Commonwealth Government consider discontinuing NDRRA business assistance, it is possible that primary producers and their industry groups would argue that the current weak economic conditions experienced by many are such that primary producers have less capacity to recover from natural disasters using their own resources.

2.8 Information

78. The Commission seeks information regarding the collection and dissemination of hazard mapping and modelling guidelines and their implementation.

79. As a result of the 2010-11 Queensland Floods and the Queensland Floods Commission of Inquiry, Queensland is well advanced in implementing public information and collaborative partnerships to increase understanding of natural hazard risk.

80. One example is the Government's investment in projects such as the Brisbane River Catchment Flood Study. In partnership with the Brisbane City Council, Ipswich City Council, Somerset Regional Council and Lockyer Valley Regional Council, this major flood study is expected to be completed by the end of 2015. The study will provide an up-to-date, consistent and agreed set of hydrological and hydraulic models for the Brisbane River catchment, to be used as the technical basis for assessing flood risk management options, strategies and action plans for the Brisbane River catchment. It will form the basis for the development of a Brisbane River catchment floodplain management study (including an integrated assessment framework) and Brisbane River catchment floodplain management plan. The floodplain management plan will guide future land use planning and the provision of critical infrastructure in the Brisbane River catchment.

81. The Queensland Government is also developing mobile access to information to aid individuals, families and the community in preparation for, and self-recovery during, a disaster event. This tool will help promote community resilience, providing mobile access to information on financial assistance, insurance, emotional support and cleaning up.

82. Community understanding of natural hazard risk is further increased through targeted media campaigns based on identified risks and seasonal activity:

- Prepare Act Survive (fire season)
- RACQ Get Ready Queensland (year-round, all-hazards)
- Operation Cool Burn (pre-fire season planning)
- If it's Flooded, Forget It (flood awareness).

2.9 Regulating the built environment

83. The Draft Report states, "… State governments could help local governments to better incorporate natural disaster risk management into land use planning decisions by providing

additional guidance on how to prioritise the competing objectives of land use planning." The Queensland Government considers that land use planning arrangements in Queensland already effectively incorporate natural disaster risk management.

84. In relation to the Commission's Draft Recommendation 4.4, the Queensland government has developed a single document, the State Planning Policy (SPP), which articulates the state's interests that must be addressed through local government planning schemes and regional plans and when making decisions about the designation of land for community infrastructure.

85. The SPP includes the state interest of 'Natural hazards, risk and resilience' – "the risks associated with natural hazards are avoided or mitigated to protect people and property and enhance the community's resilience to natural hazards".

86. The Queensland government has developed the SPP interactive mapping system as a point of truth for all available Geographic Information System (GIS) mapping layers kept, prepared or sourced by the State that relate to matters of state interest under the SPP.

87. This system also provides hyperlinks to registers or external mapping systems maintained by relevant state or federal agencies and used to identify matters of state or national interest, such as under the Environmental Protection and Biodiversity Conservation Act 1994. The mapping system provides a visual representation of the policies or requirements associated with those state interests able to be represented spatially and contains both statutory and advisory mapping. The SPP Interactive Mapping System is aimed at assisting local governments and development applicants to obtain an understanding of where matters of state interest may apply in relation to their site or area.

88. Temporary Local Planning Instruments have been introduced as interim measures that can be used by a local government to introduce new planning controls to address an immediate planning issue or threat. There must be a significant risk of serious environmental harm, or serious adverse cultural, economic or social conditions happening in a planning scheme area for a local government to consider using a TLPI. A TLPI lasts for 12 months, overriding existing provisions and allowing local governments time to undertake appropriate amendments to their planning schemes.

89. Following significant flooding events in recent years, a number of local governments have implemented flood TLPIs to ensure that certain types of development are restricted in flood prone areas and to assist residents affected by flood to rebuild their properties more quickly and to a higher level of flood immunity than might otherwise be allowed under the existing planning provisions. The Queensland Government has strongly supported the use of flood TLPIs by a number of local governments including Brisbane City Council, Ipswich City Council, Logan City Council, Lockyer Valley Regional Council and Bundaberg Regional Council.

90. As an example, the Brisbane TLPI 01/11 was made effective from 16 May 2011 and applied to the land affected by the 2010-11 Brisbane River flooding as well as by waterway or creek flooding. The new planning provisions included the following:

- Introduced an Interim Residential Flood Level (IRFL) which required building levels to be increased.
- Allowed building heights to increase in response to the IRFL.
- Required the location of essential services (electricity supply, telecommunications, fire services) to be either higher than the IRFL or sufficiently waterproofed.
- Stated filling and retaining walls must not create local drainage problems or cause amenity issues.
- Determined instances where resilient building materials will have to be used in developments.

91. In Queensland, building standards are regulated by legislation and codes and deal with integrity of structures suitable for Queensland conditions. This is separate to the planning legislation however both legislative frameworks work in an integrated way. For example, the Building Act 1975 provides for what building work is assessable development under the Sustainable Planning Act 2009 (SPA), and includes requirements in addition to those under SPA. In general, land use planning deals with appropriate locations for the various types of development and the development process, while the building standards set structural requirements.

92. The Queensland Government notes that the Commission's Draft Report states building regulations are generally working well and are supported by a good regulatory process. Building standards are regularly reviewed and updated to ensure they incorporate current understanding of natural disaster risks.

93. In relation to the Commission's Draft Recommendations 4.5 and 4.6, the Queensland Government provides a substantial amount of support for local governments to help them implement their land use planning responsibilities. However, the Draft Report's recommendation to further increase this resourcing, while at the same time recommending a reduction in the level of financial assistance available, would appear inconsistent and should be reconsidered.

94. Queensland has developed guidance for local governments with respect to understanding the relationship between building and planning, including:

    - a fact sheet to provide a broad overview - www.hpw.qld.gov.au/SiteCollectionDocuments/GuideToBuildingProvisionsInPlanningSchemesFactSheet.pdf
    - a guideline specific to flood hazards - www.hpw.qld.gov.au/SiteCollectionDocuments/GuidelineForTheConstructionOfBuildingsInFloodHazard.pdf

95. Following the major natural disasters of 2010-11, the Queensland Government also developed guidance to assist local governments with their natural hazard risks regarding planning and building. This includes guidelines regarding:

- Rebuilding in storm-tide prone areas
  www.dsdip.qld.gov.au/resources/guideline/qra/planning-stronger-north-qld-part-01.pdf
- Rebuilding more wind resistant infrastructure
  www.dsdip.qld.gov.au/resources/guideline/qra/planning-stronger-north-qld-part-02.pdf
- Rebuilding more resilient electrical infrastructure
  www.dsdip.qld.gov.au/resources/guideline/qra/planning-resilient-electrical-infrastructure.pdf
- Planning for stronger and more resilient floodplains
  www.dsdip.qld.gov.au/resources/guideline/qra/planning-stronger-floodplains-part-01.pdf

96. In relation to comments on page 423 of the Draft Report, Queensland subscribes to the IGA's 'gateway' principle and prevents local governments from setting prescriptive standards for buildings that override performance requirements of the National Construction Code. Queensland achieves this through section 78A of the SPA. In accordance with this, matters that local government can influence in relation to building are generally related to designating or declaring certain hazard information, including for bushfire and flood hazards.

97. SPA requires the assessment manager (usually the local government) to give notice of the decision and the reasons for refusal. SPA also establishes who this notice should be provided to.

98. With regard to the Commission's Draft Recommendation to repeal the provisions in the Queensland *Sustainable Planning Act 2009* for injurious affection, the compensation provisions of SPA are currently under consideration through consultation on the draft Planning and Development Bill 2014 and in response to recommendation 4.1 of the Queensland Floods Commission of Inquiry.

2.10 Insurance

99. The Draft Report notes and seeks information regarding the value in undertaking mitigation activities pre-disaster and the value of promoting risk management as an alternative.

100. In relation to private insurance for primary producers, the Queensland Government has actively supported climate risk management by farmers, by promoting the uptake of decision support tools (such as software that allows farmers to forecast potential production based on probable climate outcomes) and making climate forecasts freely accessible to farmers on the long paddock website www.longpaddock.qld.gov.au.

101. The Queensland Government, in partnership with industry, provides extension services that support the uptake of best practice in industry, which includes the promotion of decision support tools. However, natural disasters are inherently unpredictable and

therefore there are limitations on primary producers' ability to eliminate this source of production risk.

102. For agriculture, risk management can be undertaken by a range of means (use of decision support tools, financial management such as forward selling, proactive decisions on planting and stocking rates, diversification of income sources etc.) however the risk associated with extreme weather events cannot be offset entirely due to the limited availability of insurance products that provide a payout for lost production.

103. Previous reviews of insurance products such as multi-peril crop insurance including the one recently conducted by the National Rural Advisory Council indicated that they are unlikely to be viable without significant subsidy from the Government.

104. There are factors that act as impediments towards the widespread uptake of insurance for production in Australia ,most notably the information imbalance favouring farmers against their insurer counterparty, the systemic nature of climate risk in that natural disasters and droughts are likely to be very widespread and lead to large numbers of applicants obtaining insurance payouts for the same events and the potential risk that if the insurance products offered were incorrectly priced, the availability of insurance may lead to a higher level of risk taking than would otherwise be the case. The risks associated with government-backed insurance schemes are noted in the Draft Report, Draft Finding 4.2.

Attachments

Attachment 1	Queensland Government State Planning Policy
Attachment 2	State Planning Policy supporting guidance material – flood, bushfire and landslide; coastal hazards
Attachment 3	Queensland NDRRA expenditure by event