



AWUEQ Submission

Public Inquiry into Natural Disaster Funding

October 2014

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INTRODUCTION

The Australian Workers' Union of Employees, Queensland (AWUEQ) represents over 4,000 local government frontline workers, including construction staff who were critical to the recovery and reconstruction of Queensland's infrastructure following the 2011 cyclone and floods. These workers were part of the largest reconstruction effort undertaken in Australia as a result of unprecedented, natural disaster damage in the state.

The Commonwealth Government has asked the Productivity Commission to carry out a public enquiry into the efficacy of the national disaster funding arrangements. This includes the National Disaster Relief and Recovery Arrangements (NDRRA) which constitutes the principal mechanism for the distribution of Australian Government natural disaster funding. The Inquiry is considering the level, effectiveness and sustainability of current federal, state and territory funding on the mitigation of, resilience against and recovery from natural disaster. It has released a draft report following its first consultation period and has requested feedback on this draft.¹

THE AWUEQ'S RESPONSE TO THE DRAFT REPORT

The Productivity Commission's draft report is a mixed bag. It presents some sound arguments for some of its proposals – such as enabling local governments to use day labour and more transparent Government accounting on natural disaster expenditure. Conversely, it also draws on some fundamentally flawed reasoning for some of its suggestions, such as significantly reducing Australian Government funding for post disaster support, whilst marginally increasing mitigation funding. Whilst it is right that more money should be directed towards mitigation, it will take some time for this funding to filter through and result in effective natural disaster mitigation. If the Australian Government reduces its post disaster financial support as suggested, then State and local governments will have to spend more on reconstruction and recovery, and will not be able to channel more resources into mitigation. Below we set out our response to some of the draft report's key points.

¹ <http://www.pc.gov.au/projects/inquiry/disaster-funding/draft>

1. Post recovery versus mitigation funding

As per our previous submission, the AWUEQ agrees that all levels of government should be looking at ways to mitigate natural disasters and render community infrastructure better able to withstand them. This is a cost-effective approach, but one, as noted before, that is: 1) a long term strategy, as upfront investment will be required and it will take time to implement such measures, 2) will never be the whole solution as natural disaster is likely to detrimentally impact on infrastructure no matter how robust, whilst some mitigation – for instance on existing houses – has prohibitive costs attached.²

Given mitigation is a long term strategy, continuing levels of funding for post recovery and reconstruction will have to be maintained, particularly if local and State governments are to afford to divert more funding into mitigation projects. As the draft report notes itself this is accentuated by the fact that mitigation funding levels are starting from a very low base. It follows more money, not less, is needed. **The Australian Government must therefore maintain current levels of post reconstruction funding for the long term** (although this can be regularly reviewed). A three year period of transition is simply not realistic given the scale of the challenge both in terms of the increased mitigation funding and policy efforts required, and of the length of time required for the effects of mitigation to permit reductions in post recovery funding.

Again, it is important to reassert that we do not agree with the Commission's assumption that in view of the current Commonwealth funding arrangements, local, state and territory governments are economically dis-incentivised from taking actions to mitigate risk.³ The reason that Queensland had, for instance, still not implemented any of the recommendations of the 2012 Queensland Flood Commission of Inquiry report a year later must be traced to the lack of action and leadership from the State Government who took power following its publication. For the current Federal Government's part, it has cut budgets of research bodies that are responsible for looking into how Australia can best prepare for natural disasters.⁴ **To date, it is the clear lack of political intent and appropriate resourcing from the current Federal and State Governments inconsistent policies and failure to invest in this area that prevents further mitigation measures from being adopted.**

The AWUEQ is also concerned by the Commission's suggestion that mitigation funds should be distributed on a per capita basis. If not carefully thought through this could disadvantage

² http://www.deloitte.com/view/en_AU/au/services/financial-advisory/deloitte-access-economics/be8869f02877f310VgnVCM2000003356f70aRCRD.htm

³ http://www.pc.gov.au/_data/assets/pdf_file/0007/136429/disaster-funding-issues.pdf

⁴ <http://scienceandtechnologyaustralia.org.au/news/budget-science-cuts-and-changes/>

Ben Swan

Queensland Branch Secretary
The Australian Workers' Union
Level 12, 333 Adelaide Street, Brisbane, QLD 4000
Phone: 07 3221 8844 | Fax: 02 8005 3300
Website: <http://www.awu.net.au> | Email: secretary@awu.org.au

those states most in need of funds and who are at significantly greater risk from natural disaster.

Finally, the AWUEQ is not convinced by the Commission's conclusion that through these proposed changes, State and local government would choose to more frequently apply the 'betterment policy' whereby they would fund projects that improve roads and buildings so they can better sustain natural disasters. With less money coming from the Federal Government through both the NDRRA, general local government grants and local governments having to make difficult decisions on cutting vital services, it seems unrealistic to expect them to choose to plough even more money into reconstruction designed to mitigate disaster damage.

2. Current NDRRA funding eligibility rules and proportions from the Federal Government

Through the NDRRA local and state governments (and other groups) can currently apply for up to 75% of funding costs after a natural event's damage exceeds specified cost thresholds.⁵ The Commission has proposed that this percentage be reduced to 50% of funding costs, together with a hefty increase of the funding threshold over which States can apply for funding. For the following reasons the AWUEQ does not support these suggested changes to the NDRRA scheme and believes that such significant reductions in Federal Government funding will have devastating, long-term effects on local communities:

- As the draft report acknowledges National Disaster Funding, through the NDRRA in particular, has provided Australian communities with a significant proportion of desperately needed resources to meet the unprecedented challenges of infrastructure reconstruction following recent natural disasters. Without this injection of funding, local communities would have experienced severe delays in recovery and reconstruction, with long term effects on local economies and the health of local communities.

Local government and particularly rural and remote councils simply have very limited fiscal capacity. They lack sufficient numbers of people with sufficient resources to bear the considerable cost of timely reconstruction. This fact is compounded by the current Federal Government's three year freeze of local government budgets and by the expected increased impact of natural disasters in the future.

On the other hand, although administration has been far from perfect, the Australian Government's revenue raising capacity has been critical to equipping all of, but

⁵ NDRRA Determination 2011 (Version 1)

notably Queensland's rural and remote, communities with the funding they need to repair roads, schools, health services and other community infrastructure.

Given the scale, impact, and irregularity of natural disasters in Australia and Australia's geographic size, federal funding coordination is clearly a more sustainable option and it is right that it bears responsibility for delivering the bulk of the funding.

- It is in the economic and social interests of Australia as a whole that the national Government takes on a major funding responsibility during such crises as, for instance, communities in Queensland that fail to reconstruct roads will fail to make a living and therefore a contribution through tourism or agriculture. Costs down the line will only escalate as communities will require more financial support. To reduce the Australian Government's post recovery funding in this way is a false economy for all Australian residents and taxpayers.
- With costs of natural disaster predicted to rise to \$14.4bn in Queensland by 2050,⁶ the Federal Government should be considering what more, not less, it can do to help better financially prepare Australia's local communities. **The AWUEQ is strongly supportive of the current designated proportions of NDRRA funding.**⁷

3. Permanent rule change on use of council day labour under NDRRA

The AWUEQ strongly supports the Commission's finding that the restrictions on reimbursement for the use of day labour' is leading 'to wasteful spending'. Preventing the use of day labour not only increases costs in view of extortionate contractor rates that councils must pay to attract them to carry out work (between 30%-45% more than in-house costs⁸) but it also responsible for the following:

- **Delays to reconstruction projects.** Many councils, especially those in remote areas, could not find contractors willing to carry out the work due to the lack of contractor capacity and competition in the area. This resulted in severe delays to the commencement of reconstruction work and therefore a slower, physical and economic, local recovery.

⁶ http://www.deloitte.com/view/en_AU/au/services/financial-advisory/deloitte-access-economics/be8869f02877f310VgnVCM2000003356f70aRCRD.htm

⁷ The AWUEQ understands that in the long term, if mitigation measures are appropriately invested in, there may be good reason to review the current federal funding mechanism and proportions covering NDRRA.

⁸ <http://qldreconstruction.org.au/u/lib/cms2/March-2014-Monthly-Report.pdf>

- **Costly and time-consuming tender processes.** Competitive tender processes can be a time-consuming and costly exercise for councils to run, whose resources are already at breaking point.
- **Few revenue streams to cover scale of disaster.** Too few revenue streams to tap into meant remote councils simply could not afford to carry out disaster reconstruction work if NDRRA funds could not be used to cover day labour costs.⁹
- **Threat to local jobs.** Some councils had no alternative but to use their own staff and rapidly dwindling budgets for reconstruction work,¹⁰ and as a result many local councils feared they would have to lay off their staff.¹¹
- **No place for local expertise or local resilience.** The use of outside contractors resulted in lost opportunities - in utilising local expertise and knowledge, and in developing local resilience for the management of future natural disasters. This also meant a loss of local skill in using specialised equipment and plant machinery.
- **Local economies not profiting from reconstruction.** Outside contractors and council workers profited from the disaster's boost to their trade and services. This badly needed cash was therefore reinvested in outside areas, not locally.¹²

The AWUEQ therefore reasserts its support for the permanent rule change on the use of council day labour under the NDRRA and backs the Commission's finding.

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<http://www.warrenentsch.com.au/Media/MediaReleases/tabid/73/articleType/ArticleView/articleId/184/Government-stalls-while-Cape-roads-crumble.aspx>

¹⁰ <http://www.warwickdailynews.com.au/news/flood-repair-funds-fail-to-flow/1348317/>

¹¹ <http://www.abc.net.au/local/audio/2011/02/08/3133389.htm>

¹² Since April 2011, the floods have provided a boost to economic growth through rebuilding of \$10 billion.