



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

SENATE

JOINT SELECT COMMITTEE ON THE AUSTRALIA FUND
ESTABLISHMENT

Establishment of a fund to support rural and manufacturing industries

(Public)

MONDAY, 1 DECEMBER 2014

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SENATE

JOINT SELECT COMMITTEE ON THE AUSTRALIA FUND ESTABLISHMENT

Monday, 1 December 2014

Members in attendance: Mr Laming.

Terms of Reference for the Inquiry:

To inquire into and report on:

The establishment of a fund to support rural and manufacturing industries, with particular reference to:

(a) the need for a fund to assist rural and manufacturing industries in crisis and support communities affected by natural disasters, including the following assistance:

(i) emergency or ongoing financial relief,

(ii) a loan to such a business,

(iii) act as a guarantor for all or part of a loan or proposed loan to such a business,

(iv) purchase all or part of an existing loan to such a business,

(v) capitalise or waive interest owed by such a business,

(vi) assume control of such a business for a particular period,

(vii) grant funds to an appropriate industry body, and

(viii) grant funds to such a business for the purpose of purchasing new technology to make it more economically viable and competitive or restructuring it; and

(b) whether:

(i) existing bankruptcy and insolvency laws should be modified or temporarily relaxed for businesses in times of crisis, and

(ii) any foreign bankruptcy or insolvency laws should be adopted as laws of the Commonwealth.

WITNESSES

CHARD, Ms Samantha Elizabeth, Assistant Secretary, Emergency Management Policy Branch, Attorney-General's Department..... 1

FLEMING, Ms Robyn, Executive Director, Local Government and Territories Division, Department of Infrastructure and Regional Development..... 3

KIDMAN, Mrs Glenda, General Manager, Norfolk Island and Reconstruction Programmes, Local Government and Territories Division, Department of Infrastructure and Regional Development..... 3

VERLIN, Mr Aaron, Acting Assistant Secretary, Emergency Management Branch, Attorney-General's Department..... 1

WICKS, Mr Gregory, Director, National Disaster Recovery Taskforce, Local Government and Territories Division, Department of Infrastructure and Regional Development 3

CHARD, Ms Samantha Elizabeth, Assistant Secretary, Emergency Management Policy Branch, Attorney-General's Department

VERLIN, Mr Aaron, Acting Assistant Secretary, Emergency Management Branch, Attorney-General's Department

Committee met at 11:44.

CHAIR (Mr Laming): Welcome. Thank you for being our second team of guests to our inquiry looking at the role of an Australia Fund and its establishment. Information on parliamentary privilege and the protection of witnesses and evidence has already been provided to you. I remind witnesses that the Senate has resolved that an officer of the department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy, and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

I now invite you to make a short opening statement. At the conclusion of your remarks, I will invite members of the committee to put questions to you.

Mr Verlin: I suppose a brief introduction would be to explain the role of the National Disaster Recovery Programs Branch. It has two programs that it looks after. One of them is the Natural Disaster Relief and Recovery Arrangement—the NDRRA—which is a joint Commonwealth-state financial arrangement. The second element is those Commonwealth recovery operations. The main program applicable for this hearing is the Disaster Recovery Allowance which I can elaborate on.

The third part is that this branch looks after the Australian Government Disaster Recovery Committee, which is about bringing together relevant Commonwealth agencies following a disaster. It looks at what Australian government recovery assistance can be provided more broadly than the financial programs and the mechanisms in which that can be afforded.

I am happy to talk briefly about each one of the programs in detail or take questions, but that is it for an opening statement.

CHAIR: Thank you. I can kick off with the questions if you would like. Can we talk about the timeliness of response. Have you had any feedback on that? Have any of your contributions to the Productivity Commission report involve the timeliness of response to natural disasters?

Mr Verlin: In relation to our natural disaster relief and recovery arrangements, I would say that they are at the request of the affected jurisdiction. So, in that respect, the bulk of the time lines, with respect to cost-sharing arrangements, are at the initiation of the relevant state. The relevant state would contact our branch and request activation of a particular category measure within the NDRRA. So the time lines are at the discretion of the affected state.

In relation to where we start considering Commonwealth disaster recovery allowance, the time line is based on the availability of impact data that would determine that. Because it is a Commonwealth initiated payment, it is based on the time line of the availability of data in that respect.

CHAIR: Have you taken any views around better ways of eligibility apart from what we have at the moment—predominantly geographic or in some cases: how long you have been without power? Have you looked back at previous disasters and tried to find better ways of determining eligibility for additional Commonwealth payments?

Mr Verlin: We have not looked backwards, effectively, at different ways of determining eligibility. We have criteria. What we do, from a department's perspective, is look at all the available impact information. Clearly, the vast majority of it is around damage of infrastructure and then injuries of personnel. We then collect a whole range of additional data such as power and utilities. That is provided within a disaster assessment tool that looks at the impact on that area. We vary the advice on just providing information from a local government area perspective by looking at impacts at a suburb level.

CHAIR: Do you think the nomination of local government area has worked well? Can you see any way of improving that? We had situations where very tiny local government areas were affected, and there was a real problem in getting those small areas eligible because the overall local government area was not affected.

Mr Verlin: We are providing advice at suburb level now—because you are right, if you look at the potential of the impacts on a whole local government area, particularly where there is a significant population size. We are providing advice at suburb level, but we are still activating at local government area to ensure that we capture as

widely as possible those individuals within that designated local government area. But the actual impact information that we provide is typically at suburb level.

Mr PITT: As someone who went through one of these processes in 2013, I would like to put on record how successful and well regarded the response was from the federal government on the ground up there. You really did move quickly and did a really good job. When there is an opportunity for people to put their hand out for federal funding, I guess some tend to get a little exuberant. How many fraudulent claims do you think you might have had from some of those larger events?

Mr Verlin: The Department of Human Services is responsible for the administration of the program. They do not pass on that information. A lot of that is bound by privacy in relation to personal information. It is really a question for the Department of Human Services, who actually implement the program. What we do is provide advice on the local government area that has been activated through operational guidelines, but they are then responsible for the management of that and the relevant fraud and recovery mechanisms that operate.

CHAIR: It has been a really brief submission, but I guess you have been preceded by the Productivity Commission, who have worked exhaustively in the area, and that has helped answer a lot of our questions. We appreciate your appearing today. Thank you very much.

FLEMING, Ms Robyn, Executive Director, Local Government and Territories Division, Department of Infrastructure and Regional Development

KIDMAN, Mrs Glenda, General Manager, Norfolk Island and Reconstruction Programmes, Local Government and Territories Division, Department of Infrastructure and Regional Development

WICKS, Mr Gregory, Director, National Disaster Recovery Taskforce, Local Government and Territories Division, Department of Infrastructure and Regional Development

[11:56]

CHAIR: Welcome. The committee continues with its first public hearing on the establishment of an Australia Fund. I welcome the Department of Infrastructure and Regional Development. Information on parliamentary privilege and the protection of witnesses and evidence has already been provided to you. I remind witnesses that the Senate has resolved that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the offer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

I now invite you to make a short opening statement. At the conclusion of your remarks I will invite members of the committee to put questions to you.

Ms Fleming: We do not have a significant opening statement to make. I table a document that outlines the role of the Australian Government Reconstruction Inspectorate. The inspectorate was established to oversee the disaster reconstruction activities following the 2010-11 natural disaster season and it was extended to the 2011 to 2013 natural disaster seasons in Queensland. It also oversaw the 2011 floods in Victoria. The inspectorate provides assurance of value for money in the reconstruction effort and is supported by a National Disaster Recovery Taskforce, as set out under the national partnership arrangements for natural disaster reconstruction and recovery with Queensland and Victoria. The taskforce sits within the Department of Infrastructure and Regional Development.

The inspectorate is chaired by the Hon. John Fahey, who is supported in his tasks by Mr Martin Albrecht of Theiss; Ms Robyn Cooper, an auditor in Queensland; and currently Ms Jane Halton, Secretary of the Department of Finance, who followed David Tune, the previous secretary. That is all I have to say as an opening statement.

CHAIR: We have been talking about the role of insurance. We wanted to know whether you had looked, specifically, at levels of under insurance in areas of high risk, and whether you felt that that was completely a market issue or one where the government can play a more active role in ensuring more appropriate levels of insurance in areas of high risk.

Ms Fleming: The taskforce and the inspectorate have not specifically looked at insurance but, given our broader role around local government, we know that some states do cover insurance for property assets. The Municipal Association of Victoria, which is the equivalent of the local government association for Victoria—as opposed to different names in different states—does cover insurance of property assets, but it does not insure roads. Whilst the government, through the Local Government Reform Fund, did assist each state and territory in the establishment of robust asset and management frameworks over the preceding five years, I think the uptake of those frameworks is still varied and I think that the level of granularity required to create an insurable base has some way to go. I think these are comments that we have made in other areas. So it does not mean it is not practical, I just think that there is a bit of a challenge between here and now to—

CHAIR: From your federal perspective, where you are looking across different forms of natural disasters nationwide, have you been able to take a first step in identifying where the most cost-effective area of mitigation is? For instance, land clearing in areas of bushfire risk as opposed to levy building around river communities as opposed to flood-proofing major road infrastructure. Is there any sense of cost-effectiveness there?

Ms Fleming: I do not think we would have a definitive view about mitigation measures other than you would need to have a framework in which to identify mitigation for specific events. So the damage for flood, which we have been dealing with in Queensland and Victoria, has a different impact on property to fire, and a different impact on local government—and that is stating the obvious. You all know that—

CHAIR: My question is if the Productivity Commission is urging a focus towards mitigation then would it be within your purview to examine the most cost-effective ways of mitigating? And if it has not happened, what should we be doing to initiate that conversation at the federal level?

Ms Fleming: The inspector and the taskforce in their submissions to the Productivity Commission, which are public, support funding of mitigation strategies through both established programs and special means—if that is appropriate. We have been administering the betterment program as part of the national partnership with Queensland which was—

Mr Wicks: \$40 million.

Ms Fleming: \$40 million each for the state and the Commonwealth to address mitigation. Those projects have not yet concluded, but we have a sample set of projects that we are examining as part of our general pool of projects. So we are still looking at that data. That data will not be available to us in its entirety until 30 June 2015. That will give us a sense of some benefits from that mitigation work, but many of the benefits of that mitigation work will actually be tested in subsequent floods.

What we can say, I think, is that the work undertaken in terms of redressing the 2010-11 floods meant that some areas were better able to manage the floods of the 2011-13 period in Queensland. That did not mean that mitigation work was done as part of that activity. What it shows is that you were sometimes taking the 1930s and 1940s road because the 2010-11 floods in Queensland were so universal in their application. There is hardly an area in Queensland that was not affected by the 2010-11 floods. The upgrading to modern engineering standards itself, even without mitigation, had benefits.

We are still working through those lessons learnt, but it is difficult to say at this stage. We were hoping to be here for EMA's testimony. I do not know what methodologies they have. We have plenty of benchmarking data through Rowlandsons about what it costs to fix a road. What I do not think we have yet is a framework that says a dollar spent on X yields a greater benefit than a dollar spent on Y.

Mr PITT: That puts a line through one of my questions. I get a number of complaints to my office around the fact that, for example, in the 2010-11 and 2013 floods there were substantial delays in the 2010-11 rollout, which meant that some of those things were actually only fixed in the weeks before the 2013 flood and were then lost again. Similarly, some of them were not done at all until after the 2013 flood. There were a number of locations that were brought to my attention where they were done twice within a period of probably two months. This literally meant that someone went back in, stripped the road out and did it again because they were on a separate contract. I am wondering how many examples of that you might have seen and how we might address it?

Secondly, there is an issue around day labour—the ability for local governments in remote areas to use their own workforce to do this stuff, because we lose substantial amounts of taxpayers' money by driving out from Brisbane or Sydney or wherever the large contractors might be based.

Ms Fleming: I might take those questions in turn. The first one was about the delays, the second question was about rework and the third question was about day labour?

Mr PITT: Correct.

Ms Fleming: I might ask Mr Wicks to provide some comments here also. The 2010-2011 flooding was unparalleled in its impact across Queensland and it occurred at a time when the economy was still very strong, so the capacity to acquire the resources in a cost-effective manner meant that some councils just were not able to secure the contractors that they needed to fix all the roads. So the immediate focus was on getting the roads and the areas cleared. That meant that there were then some delays.

In terms of rework, it is my understanding that some of those works were actually packaged together and not done sequentially, even though that might have been the perception of members of the community. Do you have any specific comments, Greg?

Mr Wicks: In terms of rework, where work had been done, yes, it may well have been washed away or affected adversely. It depended on the type of work that was done, as well. Some work was done as a temporary rework pending the follow-up where, for example, they put in a gravel river crossing just to reinstate traffic and things like that. Obviously, that would be less stable than a fully-concreted river-crossing ford and so on.

Mr PITT: The example I have was pretty straightforward. The front of my house on the road I live in was one of them. I can guarantee you that they did it twice. There were numerous events like that.

Ms Fleming: The controls over the council works were done by the council in conjunction with QRA. I think the establishment of the Queensland Reconstruction Authority for the first time in Queensland gave everybody a greater oversight of how the works were to be done. There were certainly valuation estimates pre-completion and valuation estimates post-completion. The pre-works valuation of the Queensland floods was about \$12 billion; the completion works were around \$10 billion. Part of that is because people had estimated contingencies that were

not required, part was because they estimated in-scope things that were later found by QRA or ourselves to be out of scope and some of it was because works got done together.

The difficulty in this space is that you are never comparing an apple with an apple. I think it is the same difficulty that you get to when you are looking at mitigation. How effective is mitigation? It depends to what level you are mitigating—are you mitigating to the one-in-100-year event, the one-in-50-year event or to the one-in-10 or one-in-20 year event? I suppose the parameters are what is important there.

In terms of day labour, we are looking at the day labour trials and we have done some preliminary analysis. We have some further analysis to work through. There are circumstances where day labour represents a more cost-effective outcome than contracting, particularly in remote areas where it is difficult to get crews and when you get crews it is expensive. There are other areas where day labour has maybe not been as effective. We are still working our way through and we do not have a definitive view yet, but we would say that it is a mixed picture; it is not all bad or all good. There are some circumstances, particularly for those councils up in the cape or in north-west Queensland, where the effective use of day crews meant that you provided better community outcomes and better road outcomes. You were going to be last on the list because your works were not significant enough to get the contracting labour from the major areas, and by the time they shipped in their equipment perhaps a day labour rate was a more effective rate. But it is not uniform. Not everyone took up the day labour trial, either.

Mr Wicks: No. Day labour was taken up inconsistently, in terms of the trial. The impact was somewhat limited, surprisingly, even though the second version of it was not a capped trial process. We found, generally, that it was, as Ms Fleming has identified, taken up in particular areas such as the Cape and the north-west—those areas where there were specific labour shortages due to the resources industry taking a significant portion of the labour available, and also where there was significant benefit. Councils made a decision, also, to apply day labour to the benefit of their own staff so that they would have staff who had a knowledge of their resources, a knowledge of the requirements of their assets and who were able to best respond to that, rather than bringing in crews externally that did not understand either the environment or the types of structures that they were dealing with.

CHAIR: Thank you. We have no further questions. Obviously, we have the extensive Productivity Commission report that is running in parallel, and that has helped us with a number of our questions as well. We thank you for your testimony today.

Committee adjourned at 12:11