



Mr Gary Nairn MP
Member for Eden-Monaro
Committee Chair
House of Representatives
Select Committee on the Recent Bushfires
Parliament House
CANBERRA ACT 2600

Submission No.208

Dear Mr Nairn

Please find attached a submission prepared by the Department of Transport and Regional Services for consideration by the Inquiry.

The submission's main focus is to outline the areas of the Department's involvement in the recent bushfires.

The contact officer in the Department for the submission is Mr Adrian Beresford-Wylie. He can be contacted on (02) 6274 6581.

Thank you for the opportunity to provide input into this inquiry.

SIGNED

Mike Mrdak
First Assistant Secretary
Territories and Local Government Division

8 May 2003



DEPARTMENT OF TRANSPORT AND REGIONAL SERVICES

**SUBMISSION TO THE HOUSE OF REPRESENTATIVES SELECT
COMMITTEE INQUIRY INTO THE RECENT AUSTRALIAN BUSHFIRES**

MAY 2003

INTRODUCTION

Although States and Territories have constitutional responsibility for natural disaster management, the Commonwealth government has provided significant assistance in recent years in the areas of bushfire research, response and recovery.

The Department of Transport and Regional Services (DOTARS) has responsibility for administering the Commonwealth's natural disaster relief and recovery assistance programmes.

In relation to the bushfires over the 2002/03 summer fire season, DOTARS has had three key responsibilities:

- in cases of extreme damage and hardship the Commonwealth has in place the Natural Disaster Relief Arrangements (NDRA) to alleviate the burden on State and Territory resources. The NDRA is a reimbursement programme where the level of reimbursement is established by a series of expenditure thresholds reached by each State or Territory in a given financial year. This financial year NDRA has been activated in NSW, Victoria, ACT, Queensland and Northern Territory.
- the provision of funding to help States and Territories meet the costs of aerial firefighting over the last two fire seasons. Funding and other assistance has also been provided to the Australasian Fire Authorities Council (AFAC) to develop on behalf of State and Territory fire authorities a national aerial firefighting approach in consultation with State and Territory governments.
- the provision of a Commonwealth contribution to bushfire recovery appeals in New South Wales, Victoria and the ACT. DOTARS has also been represented on the appeal management boards distributing those funds.

NATURAL DISASTER RELIEF ARRANGEMENTS — NDRA

The Commonwealth provides financial assistance to the States and Territories to alleviate the financial burden associated with the provision of natural disaster relief and recovery payments and restoration of public infrastructure. The most significant mechanism for providing such assistance is the NDRA.

The NDRA is administered by DOTARS and ensures that States and Territories are **partly reimbursed** for natural disaster relief once their expenditures on eligible measures **exceed a certain threshold**.

Eligible disasters include bushfires but not those where poor environmental planning, commercial development or personal intervention or accident are significant contributing factors to the event.

This program is governed by a Determination made by the Minister for Regional Services, Territories and Local Government under Section 14 of the *Appropriation Act (No. 2)*. The Determination establishes the criteria for Commonwealth relief and the basis for the working relationship between the Commonwealth and the States or Territories. A copy of the current Determination is at **Attachment A**.

The NDRA reimburses acts of relief or restoration adopted by a State, or Territory, where the level of damage and distress is a direct result of an eligible disaster. Such measures are any one of, or combination of:

- (a) **a personal hardship and distress (PHD)** payment to a person in genuine need, for emergency food, clothing and accommodation; essential repairs to housing; and the repair or replacement of essential items of furniture and personal effects; or
- (b) **restoration or replacement of an essential public asset** by a State; or
- (c) **a concessional-interest loan** by a State to a farmer¹, or operator of a small business, whose assets (including fodder) have been significantly damaged and who has no reasonable access to commercial finance but who has a reasonable prospect of long-term viability; or
- (d) **a concessional-interest loan** by a State to a needy person or voluntary non-profit body whose assets have been significantly damaged and who (or which) has no reasonable access to commercial finance; or
- (e) **provision of interest subsidies (grants)** by a State on loans advanced by authorised deposit taking institutions to a farmer or operator of a small business, whose assets have been significantly damaged; or
- (f) **psychological counselling** adopted to alleviate distress suffered by individuals or communities; or
- (g) **other acts of relief and restoration** adopted to alleviate distress or damage.

The NDRA allows for reimbursement of expenditure by State and Territory governments. The actual levels of assistance given to individuals, community organisations, primary producers and business depend on the relevant State/Territory government decision on what assistance programmes and levels of assistance it will provide for each natural disaster event.

Attachment B is a summary of the comparable levels of assistance for the States and Territories as at September 2002.

NDRA Reimbursements

Under the Natural Disaster Relief Arrangements, the Commonwealth will reimburse 50 per cent of expenditure, made by a State or Territory, in relation to personal hardship and distress payments for each eligible disaster that exceeds the small disaster threshold of \$200,000.

For other eligible disaster relief measures undertaken by a State or Territory, the Commonwealth will reimburse 50 per cent of expenditure above an assessed financial threshold (currently 0.225 per cent of a State or Territory's revenue). When the expenditure exceeds 1.75 times a State or Territory's financial threshold, the Commonwealth will reimburse 75 per cent of that expenditure.

It is important to note that the Natural Disaster Relief Arrangements are intended to provide safety-net emergency relief from severe hardship caused by eligible natural disasters. They are not intended to replace appropriate commercial insurance against the possibility of damage caused by natural disasters.

¹ "Farmer" as described under the *Farm Household Support Act 1992*.

Base amounts (first thresholds) and second thresholds for 2002/03

State	State Revenue	Multiplied by .225%	Base Amount (First threshold)	2 nd Threshold
NSW	33,645,000,000		75,701,250	132,477,188
VIC	23,723,000,000		53,376,750	93,409,313
QLD	18,258,000,000		41,080,500	71,890,875
SA	8,108,000,000		18,243,000	31,925,250
WA	10,540,000,000		23,715,000	41,501,250
TAS	2,684,000,000		6,039,000	10,568,250
NT	2,086,000,000		4,639,500	8,213,625
ACT	2,123,000,000		4,776,750	8,359,313

Recent NDRA Payment History – total Commonwealth NDRA reimbursements 1996-97 to 2000-01²

96/97	97/98	98/99	99/00	00/01	01/02
\$28.5M	\$70.8M	\$90.4M	\$93M	\$83.2M	\$31.7M

The NDRA is a reimbursement programme where the level of reimbursement is established by a series of expenditure thresholds reached by each State or Territory in a given financial year. From the data provided to the Commonwealth by the States and Territories, it is not possible to isolate individual natural disaster types and report on the amount of reimbursement a particular event (or series of events) may have attracted. This financial year NDRA has been activated in NSW, Victoria, ACT, Queensland and Northern Territory.

No NDRA claims have been lodged yet with the Department for the 2002/03 bushfire events. States and Territories are allowed up to three years after a disaster to claim reimbursements. It is expected that Victoria and NSW will claim substantial reimbursements for a number of separate fires that occurred in 2002/03. In the case of the ACT in 2002/03, all costs relate to a single fire incident.

Based on ACT Budget figures released on 6 May 2003 (\$17.5 million eligible expenditure in 2002/03), DOTARS estimates that the ACT may be eligible for around \$8 million in Commonwealth reimbursements. It is expected that the ACT will expend further funds on relief and recovery in 2003/04. A recent report³ from Victoria reports that \$86 million has been committed to support community recovery and reinstate fire affected assets such as parks, forests and roads. No similar estimates are yet publicly available for NSW and the Northern Territory for 2003/04. NSW Treasury has informally advised the Department that eligible expenditure for bushfires for 2002/03 is estimated to be around \$110 million. This has yet to be verified in a formal claim.

² Includes all types of eligible disasters.

³ *Final Report from the Ministerial Taskforce on Bushfire Recovery* April 2003 (available at www.info.vic.gov.au/bushfires)

Bushfire Disaster Declarations 2002/03

Under the NDRA States and Territories are required to notify the Commonwealth as soon as possible of the occurrence of an eligible disaster. In relation to the 2002/03 bushfires, the following areas were declared under the NDRA and eligible for NDRA assistance.

NSW Declared areas:

Oct 2002 - Muswellbrook, Bellingen, Copmanhurst, Grafton City, Hastings, Kempsey, Kyogle, Maclean, Nambucca, Pristine Waters, Richmond Valley, Severn, Tenterfield, Blue Mountains, Cessnock, Gosford, Hawkesbury, Maitland, Wyong, Sutherland.

Nov 2002 - Kiama, Shellharbour, Sutherland, Wingecarribee, Wollongong, Wollondilly.

Dec 2002 - Campbelltown, Cessnock, Clarence Valley, Coonabarabran, Gloucester, Gosford, Eurobodalla, Muswellbrook, Great lakes, Severn, Shoalhaven, Singleton, Sutherland, Liverpool, Hornsby, Ku-ring-gai, Baulkham Hills.

Vic Declared areas:

Jan 2003 - Alpine, East Gippsland, Indigo, Rowong.

NT Declared areas:

Aug to Nov 2002 - Aileron, Alcoota, Allambi, Ambilindum, Amburla, Ammaroo, Andado, Angas Downs, Anningie, Annitowa, Arapunya, Argadargada, Bond Springs, Bushy Park, Coniston, Curtin Springs, Deep Well, Delmore Downs, Delny, Derry Downs, Derwent, Dneiper, Elkedra, Erldunda, Glen Helen, Hamilton Downs, Henbury, Horshoe Bend, Huckitta, Idracowra, Indiana, Jervois, Jinka, Kurundi, Lilla Creek, Loves Creek, Lucy Creek, Lyndavale, Macdonald Downs, Marqua, Maryvale, Mt Cavenagh, Mt Ebenezer, Mt Denison, Mt Doreen, Mt Riddock, Mt Skinner, Mulga Park, Murray Downs, Napperby, Narweitooma, Neutral Junction, New Crown, Newhaven Numery, Old Macdonald Downs, Ooratippra, Orange Creek, Owen Springs, Palmer Valley, Ringwood, Singleton, Stirling, Sunday Creek, Suplejack, Tarlton Downs, The Garden, Tobermory, Todd River, Umbeara, Undoolya, Victory Downs, Woodgreen and Yambah and includes Ross River, Palm Valley, Iwuputaka (Jay Creek), Pine Creek, Kings Creek, Watarrka, Kathleen Springs, Finke Gorge, Western Macdonnell Ranges, Ellery Chewings Range, Kuyunba, Temple Bar, Mt Zeil, Redbank Gorge, Palm Paddock, Pine Gap, East Central Barkley.

ACT Declared areas:

Jan 2003 - Australian Capital Territory

NATIONAL AERIAL FIREFIGHTING STRATEGY

Commonwealth assistance to develop a national approach

While responsibility for firefighting rests with the States and Territories, the Federal Government has provided assistance to enable them to operate additional aerial firefighting resources over the 2001/02 and 2002/03 fire seasons.

In January 2002, in response to an emerging bushfire situation in NSW and in recognition of the urgent need to supplement aerial firefighting capability the Acting Prime Minister, the Hon John Anderson MP, announced that up to \$800,000 of federal funds would be provided to bring two Erickson Air-Crane Helicopters to Australia. This followed a request from the NSW Premier for additional high capacity aerial resources

Minister Anderson also suggested that the Federal Government would be willing "to coordinate the development of a joint proposal amongst the States and Territories on cost effective options for improving Australia's aerial fire fighting capability, including through mutual assistance arrangements....". The Department of Transport and Regional Services was nominated as the most appropriate agency to manage the Commonwealth arrangements for these initiatives.

The Federal Government recognises the potential benefits of a national approach to aerial firefighting to ensure scarce State contracted aircraft equipment can be used more effectively and efficiently across the jurisdictions to combat major fire outbreaks. It considers that the national coordination between States and Territories of equipment and placement based on risk would facilitate a more cost-effective national response.

Following consultation with all of the State and Territory fire agencies, in April 2002 the Hon Wilson Tuckey MP, Minister for Regional Services, Territories and Local Government announced funding of up to \$50,000 to the peak body for all Australian fire agencies, the Australasian Fire Authorities Council (AFAC) to develop a national strategy. The first stage of the project was for AFAC to prepare a strategy for interstate resource sharing and mutual aid so as to provide an adequate level of coverage in the event of a significant fire emergency in any part of Australia. The strategy was also to identify additional resources, including dedicated equipment for the coming summer. In August 2002 the report from AFAC, *National Aerial Firefighting Strategy* was presented to DOTARS.

The report, which was developed by a reference group coordinated by AFAC and consisting of State and Territory fire agency representatives, generally recommended:

- funding by the Commonwealth, States and Territories of additional aircraft resources;
- the establishment of sharing arrangements; and
- the establishment of a governance framework to manage the resources.

It was the Government's view that, rather than effectively dealing with the resource sharing issues amongst States and Territories, the AFAC report focussed on getting additional high capacity dedicated aircraft and provided an ambit claim for a one-off and substantial funding commitment from the Commonwealth for the 2002-03 season, for what is essentially a State and Territory responsibility. The report did not adequately address the need for a proposed new national approach, but rather recommended the retention of current arrangements with additional funding from the Commonwealth for extra resources. Further, there was no comparative assessment of the resources required and the report did not provide a full risk assessment of the difference between options.

Assistance for the 2002/03 fire season

In September 2002, following consideration of the AFAC report, and in recognition of forecasts of an extreme fire season, the Federal Government made a funding offer to the States and Territories of up to \$5.5 million to cover half of the direct costs of leasing and positioning three heavy capacity Air-Crane helitankers (*Georgia Peach*, *Elvis* and *Incredible Hulk*) in Australia for the 2002-03 season. The States and Territories would meet the remaining costs including all operating costs for the helitankers. In October 2002, with the emergence of an early fire crisis in

NSW, Minister Tuckey announced additional Commonwealth assistance of \$400,000 to meet half the costs of airfreight for the helitankers to expedite their arrival in Australia. The helitankers were available to all States and Territories and were provided through the Victorian Department of Sustainability and Environment (DSE) due to its existing contractual arrangements for Air-Cranes as well as its long standing expertise in this area. DOTARS entered into a Memorandum of Understanding with DSE to undertake the role on behalf of the other States.

In January 2003 the bushfire crisis in Victoria, New South Wales and the ACT led to the announcement by the Prime Minister of further funding of up to \$2.1 million to meet half the direct costs of leasing and positioning two additional Air-Crane helitankers (*Gypsy Lady* and *Isabella*).

The table below shows the total days of operation, total hours flown, total hours on stand-by and the locations of the five high capacity Air-Crane helitankers for the period 19 October 2002 to 24 March 2003.

Type of Aircraft	Location	Date	Days	Hours
Georgia Peach	Bankstown, Katoomba, Nowra, Tuncurry, Delgate, Jindabyne, Canberra	19/10/02-03/02/03	108	243.3
	Bankstown	04/02/03-04/03/03	29	0
Incredible Hulk	Bankstown, Cessnock, Pelican, Swansea, Nowra, Mangrove, Canberra, Nicholls, Cooma, Jindabyne, Moruya, Uladulla	19/10/02-13/02/03	118	239.1
	Bankstown	14/02/03-04/03/03	19	0
Elvis	Bankstown, Essendon, LaTrobe Valley, West Sale, Myrtleford, Ovens, Wangaratta, Shepparton, Bendigo, Bairnsdale	11/12/02-24/02/03	76	124.3
	Essendon	25/02/03-17/03/03	21	0
	Essendon	18/03/03-24/03/03	7	5.5
Gypsy Lady	Canberra, Yass, Jindabyne, Bankstown	29/01/03-24/02/03	27	54.3
	Bankstown	25/02/03-24/03/03	28	0
Isabella	Essendon, Wangaratta, Mount Hotham, Swifts Creek, Bairnsdale, Orbost, Shepparton, Albury, Mansfield, Delatite	29/01/03-28/02/03	41	47.9

	Essendon	01/03/03- 15/03/03	15	0
	Essendon	18/03/03- 19/03/03	2	3.9

Total Days of Operation: 372
Total Hours Flown: 718.3
Total Days on Stand-by: 112

During this period the Air-Cranes delivered approximately 28.5m litres of water/fire retardant and made approximately 9,500 drops.

Note: The above figures are not final and may be subject to revision.

In addition \$250,000 and \$300,000 was provided to South Australia and Western Australia respectively to help meet their needs for small fixed wing water bombers and medium sized helicopters.

In total the Commonwealth provided funding of \$8.2m (inclusive of GST) to enable additional aircraft resources to be available for the 2002/03 fire season.

The Government is continuing to work with AFAC to help achieve a longer term nationally coordinated approach across the States and Territories to ensure that suitable firefighting aircraft are acquired and managed in the most effective way.

COMMONWEALTH CONTRIBUTION TO BUSHFIRE RECOVERY APPEALS

The Federal Government has donated \$1 million to the NSW bushfire appeal, \$1 million to the Victorian bushfire appeal and \$0.5 million to the ACT bushfire appeal. DOTARS senior officers represent the Commonwealth on appeal boards in the jurisdictions responsible for approving the disbursement of funds.

**NATURAL DISASTER
RELIEF ARRANGEMENTS
(NDRA)
DETERMINATION
BY THE MINISTER FOR
REGIONAL SERVICES,
TERRITORIES AND LOCAL
GOVERNMENT**

2002

**NATURAL DISASTER RELIEF ARRANGEMENTS
DETERMINATION OF TERMS AND CONDITIONS**

by the

Minister for Regional Services, Territories and Local Government

PRELIMINARY

I, Wilson Tuckey, Minister of State for Regional Services, Territories and Local Government, pursuant to Section 14 of the Appropriation Act (No 2) 2002-03, and for the purpose of any Appropriation Act which similarly authorises the Minister for Regional Services, Territories and Local Government to determine the terms and conditions applicable to payments of financial assistance from the Commonwealth to the States or the Northern Territory or the Australian Capital Territory or Norfolk Island or the non-self governing territories of Cocos (Keeling) Islands or Christmas Island or Jervis Bay Territory for the purposes of natural disaster relief and restoration, hereby determine that payments of such assistance under an Appropriation Act shall be made on the terms and conditions which are recorded in this document.

This document incorporates a statement of the Natural Disaster Relief Arrangements, and of the related administrative procedures, schedules and guidelines, which will operate from 1 July 2002.

Signed

Wilson Tuckey MP
Minister for Regional Services, Territories and Local Government
28 / 06 / 2002

1. INTRODUCTION

- 1.1 The Commonwealth Government has a significant involvement in national emergency management arrangements and recognises the human and financial costs that natural disasters can bring to the community. While emergency management and relief are primarily the responsibility of the various States and Territories, the Commonwealth has many cooperative arrangements in place to advance public safety objectives.
- 1.2 Under the Natural Disaster Relief Arrangements (NDRA), administered by the Commonwealth Department of Transport and Regional Services, the Commonwealth provides funding assistance to States and Territories aimed at alleviating the financial burden associated with the provision of natural disaster relief payments and infrastructure restoration. The NDRA ensures States and Territories are partly reimbursed for natural disaster relief once their expenditure exceeds a certain threshold.
- 1.3 The principles, guidelines, practices and processes for the NDRA are governed by this Determination and attached Schedules issued by the Commonwealth Minister for Regional Services, Territories and Local Government.

2. ELIGIBLE DISASTERS AND MEASURES

- 2.1 **Eligible disasters** are any one of, or combination of, the following natural phenomena: bushfire; cyclone; earthquake; flood; storm; storm surge; landslide (consequential upon an eligible event) where the level of damage and distress directly resulting from such occurrence necessitates expenditure by a State¹ on eligible measures. Eligible disasters do not include disasters where poor environmental planning, commercial development or personal intervention or accident are significant contributing factors to the event.
- 2.2 **Eligible measures** are acts of relief or restoration adopted by a State, where the level of damage and distress is a direct result of an eligible disaster. Such measures are any one of, or combination of:
 - (a) **a personal hardship and distress (PHD) payment** to a person in genuine need, for emergency food, clothing and accommodation; essential repairs to housing; and the repair or replacement of essential items of furniture and personal effects; or
 - (b) **restoration or replacement of an essential public asset** by a State (whether direct or through an eligible public undertaking) which is owned by an eligible public undertaking, to the extent necessary to restore that asset to the equivalent of its pre-disaster standard.
 - The expenditure must occur within a period less than two years after the end of the financial year in which the relevant disaster occurred; or
 - (c) **a concessional-interest loan** by a State to a farmer², or operator of a small business, whose assets (including fodder) have been significantly damaged and who has no reasonable access to commercial finance but who has a reasonable prospect of long-term viability; or

¹ **State** for the purpose of this Determination includes all Australian States plus the Northern Territory, the Australian Capital Territory, Norfolk Island, and the non self-governing territories of Cocos (Keeling) Islands, Christmas Island and Jervis Bay Territory.

² **Farmer** as described under the *Farm Household Support Act 1992*.

- (d) a **concessional-interest loan** by a State to a needy person or voluntary non-profit body whose assets have been significantly damaged and who (or which) has no reasonable access to commercial finance; or
- (e) **provision of interest subsidies (grants)** by a State on loans advanced by authorised deposit taking institutions to a farmer or operator of a small business, whose assets have been significantly damaged; or
- (f) **psychological counselling** adopted to alleviate distress suffered by individuals or communities; or
- (g) **other acts of relief and restoration** adopted to alleviate distress or damage.

Schedule 1 (Attached) provides current details of the Determinations made by the Commonwealth Minister for Regional Services, Territories and Local Government.

Note: An eligible measure may take the form of the provision of goods in kind as an alternative to cash payments. This may provide, to the State, the flexibility of utilising its greater buying power to maximise the community recovery services provided.

- 2.3 **Essential public asset** means an asset of an eligible public undertaking that, in the judgement of the State concerned, is an integral and necessary part of that State's infrastructure. The loss of which would unduly disrupt the ongoing activities of a community; such assets would be restored or replaced as a matter of urgency.
- 2.4 **Eligible public undertaking** includes a State railway and means a public undertaking which has been established by (or by virtue of) a law of the State, being a government department, ministry, office, local government body or other body which provides community, social or economic services outside the normal market mechanism. These are either free of charge or at a nominal charge well below the costs of production. Other undertakings may be agreed between a State and the Commonwealth in the light of special circumstances presented by a State and include, but not be limited to, those funded with significant public contribution.
- 2.5 **Ineligible public undertakings** include:
- (a) a public financial undertaking which is primarily engaged in financial transactions in the market involving both the incurring of liabilities and the acquisition of financial assets; and
 - (b) a public trading undertaking which is primarily engaged in the production of goods and services for sale in the market with the intention of recovering all or a significant proportion of its operating costs.

Examples include: abattoirs; aerodromes; banking; brickworks and quarries; electricity and gas supply; garbage collection; housing (other than welfare housing) and rented property; insurance; operation of ports and waterways; product marketing and handling; public transport (excluding railways); sewerage services; water supply.

- 2.6 In *Exceptional circumstances*, other damage and distress directly resulting from an eligible disaster (of such severity as to warrant inclusion in the NDRA (for example, landslides or tsunamis which are the direct result of an eligible disaster)) may be considered by the Minister for Regional Services, Territories and Local Government, on a case-by-case basis.

3. GENERAL CONDITIONS FOR ASSISTANCE

- 3.1 In adopting eligible measures, the State must observe the general intention that:
- (a) assistance is not to supplant, or operate as a disincentive for, self-help by way of either commercial insurance or appropriate strategies of disaster mitigation; and
 - (b) so far as practicable, assistance is to be designed to achieve an efficient allocation of resources.
- 3.2 A prerequisite for assistance is recognition by the States of the Commonwealth contribution to relief assistance under the Natural Disaster Relief Arrangements. This recognition is to appear in advice to victims of the availability of relief assistance and in press releases advising the general public of the occurrence of an eligible natural disaster and the availability of relief assistance.
- 3.3 In addition, a prerequisite for the provision of assistance, other than for PHD is:
- (a) that natural disaster mitigation strategies are in place in respect of likely or recurring disasters, or
 - (b) that a commitment is made to develop and implement such a strategy within a reasonable timeframe.
- 3.4 The Commonwealth has established the Natural Disaster Risk Management Studies Programme to encourage the undertaking of worthwhile risk management studies. Participation in this scheme fulfils the Commonwealth's intent in establishing the prerequisite conditions of Clause 3.3 above. Further details of the scheme are provided at Schedule 2 (Attached).
- 3.5 Where the Commonwealth provides Disaster Relief Payment assistance to victims of eligible natural disasters declared "major disasters" by the Commonwealth Minister for Family and Community Services, the calculation of assistance under Clause 4.5 is to be reduced by the total amount of these payments.
- 3.6 In relation to Clause 2.2(b), while Commonwealth financial assistance is not available for the restoration or replacement of an essential public asset above the pre-disaster standard, this does not preclude a State from self-funding betterment to mitigate the impact of future disaster events. Where a State determines that an essential public asset is to be restored or replaced to a higher (more robust) standard, the Department³ is to be informed of the circumstances.

³ Commonwealth Department of Transport and Regional Services

- 3.7 By 31 January each year (and at other times on request), each State shall furnish to the Department for budgetary purposes latest estimates of the forecast total expenditure by the State on eligible measures, both for the remainder of that year and for the immediately succeeding year.

COMMONWEALTH FINANCIAL ASSISTANCE

- 4.1 The Commonwealth shall partly reimburse State expenditure on eligible measures once that expenditure, within the financial year when the expenditure was actually incurred, exceeds certain thresholds as detailed in Clause 4.4 below.
- 4.2 *Expenditure by a State* means actual outlays by that State in respect of an eligible measure, but does not include:
- (a) the transfer of funds between the State and a State instrumentality whether for the possible payment to recipients or financial assistance from that State or for the possible expenditure by the State instrumentality on the restoration or replacement of an essential public asset, or for any other purposes; or
 - (b) salaries or wages or other ongoing administrative-type expenditure which would have been incurred even though that eligible measure had not been adopted, whether incurred by the State or any State instrumentality and whether incurred by or in respect of an eligible public undertaking.
- 4.3 *Expenditure* means gross cash outlay net of any recoverable Goods and Services Tax, and net of the following amounts attributable to that gross outlay:
- (a) recoveries from any source whatsoever; and
 - (b) amounts which some other person or organisation is liable to reimburse; and
 - (c) amounts directly or indirectly receivable from the Commonwealth under a joint Commonwealth/State financial arrangement or other specific purpose financial assistance to a State.

Commonwealth assistance

- 4.4 Within any one financial year, the rate of Commonwealth assistance to a State shall be based on the following three threshold levels:
- i. the *Small disaster threshold* - being an amount per disaster as determined by the Commonwealth Minister for Regional Services, Territories and Local Government and will be indexed from time to time in line with movements in the Consumer Price Index. The maximum review period to be no greater than five years;
 - ii. the *First threshold* (the State's base amount) - being 0.225% of the State's total general government sector revenue and grants in the financial year two years prior to the relevant financial year⁴; and

⁴ As produced by the Australian Bureau of Statistics, Catalogue No. 5501.0

iii. the *Second threshold* (1.75 times the State's base amount).

The Department shall inform the States, in writing, of their respective thresholds as soon as the figures are available from the Australian Bureau of Statistics.

4.5 Commonwealth assistance during a financial year shall be calculated at the rate of:

- (a) fifty percent of eligible PHD expenditure where the State's base amount has not been exceeded; **OR**
- (b) fifty percent of all eligible expenditure between a State's base amount and 1.75 times the base amount; **AND**
- (c) seventy-five percent of all eligible expenditure in excess of the 1.75 times threshold.

4.6 In calculating Commonwealth assistance under Clause 4.5:

- (a) all State expenditure on small disasters (ie under small disaster threshold) is to be excluded.
- (b) If assistance calculated under Clause 4.5(a) is greater than that calculated under Clause 4.5(b) then the State may opt to restrict their claim to the PHD component for reimbursement.

Commonwealth Loan to a State

4.7 In accordance with Clauses 2.2(c) and (d), certain concessional-interest loans provided by a State to a needy person, voluntary non-profit body, farmer or small business operator are eligible measures. The Commonwealth shall provide to the State, in the form of a repayable concessional-interest loan, a certain proportion of the loan principle which the State initially provided. This proportion shall be based on the same proportion that the State loan(s) is to total State eligible expenditure per annum, as expressed by the following formula:

CL = (CA - CPHD) x (SL / (SE-SPHD)) where:

CL = the amount of Commonwealth loan to that State in respect of that year;

CA = total Commonwealth assistance to the State, as calculated under Clause 4.5;

CPHD = Commonwealth assistance in respect of State expenditure on PHD payments during that year, (being equal to 50% of SPHD);

SL = total loans made by the State during that year, pursuant to Clause 2.2 (c)&(d);

SE = total State expenditure on all eligible measures during that year;

SPHD = total State expenditure on eligible PHD measures during that year.

Concessional Interest Rates

- 4.8 A loan to a State shall be subject to a concessional interest rate determined by the Commonwealth Minister for Regional Services, Territories and Local Government at the commencement of a year having regard to market interest rates at the time. The interest rate so determined applies to all outstanding loans to a State.
- 4.9 Interest on a loan to a State begins to accrue following the end of the year in which the Commonwealth made the loan. Annual interest payable is calculated on the balance of outstanding loans at the beginning of a financial year. Interest shall be paid to the Commonwealth on or before 15 June in each year the interest is due.
- 4.10 The principle of a loan to a State is repayable to the Commonwealth by that State in eight equal annual instalments. These fall due on or before 15 June in each successive financial year commencing in the second year after the end of the year in which the loan was made.

The Department shall inform the States of the rates as soon as the figures are available.

State Interest Rate

- 4.11 The interest rate charged by a State on a concessional loan shall initially be set having regard to:
- (a) the rate estimated by the State to cover administration costs and bad debts;
 - (b) the rate set by the Commonwealth on the Commonwealth loan proportion; and
 - (c) the rate which the State may set on its proportion of the loan with that rate being no more than the rate set by the Commonwealth.
- 4.12 Where the State considers it appropriate to charge an interest rate which exceeds the rate estimated to cover administration costs and bad debts, interest set by the Commonwealth at the commencement of a year and equivalent interest set by the State, the State shall pay to the Commonwealth, on or before 15 June in each successive year until maturity of the loan, an amount equal to three-quarters of the Commonwealth loan proportion of the interest receipts associated with the margin.
- 4.13 The State shall review the interest rate charged to borrowers from time to time, making adjustments where appropriate to accommodate any improvement in the circumstances of the recipient.
- 4.14 The amount of each single and aggregate loan made by the States to individuals and organisations eligible for Commonwealth assistance may be subject to ceilings determined by the Commonwealth Minister for Regional Services, Territories and Local Government to apply from a specified date (normally 1 July) until amended. The ceilings on single and aggregate loans shall be determined having regard to movements in prices since the ceilings were last amended.

Interest Subsidy Grant

- 4.15 The amount of loan funds eligible for the interest subsidy grant may be subject to ceilings determined by the Commonwealth Minister for Regional Services, Territories and Local Government. The level of subsidy shall be determined having regard for the current commercial interest rates as described in Schedule 1.
- 4.16 The annual interest subsidy is calculated on the outstanding balance of the loan at the beginning of a financial year. Interest subsidy shall be paid to the State by the Commonwealth on or before 15 June in the year that the interest is due.
- 4.17 The Interest Subsidy Grant is to be treated as eligible expenditure by a State for the purposes of calculating the level of Commonwealth assistance claimed.

5. PROCEDURE FOR OBTAINING COMMONWEALTH ASSISTANCE

Notification

- 5.1 Each State shall notify the Department, as soon as practicable, of the occurrence of an eligible disaster. Minimum requirements of form and content of notification are provided in Guideline 3.

Claim Procedure

- 5.2 At any time during a year a State may submit a claim to the Department for financial assistance in respect of actual expenditure on eligible measures, or expenditure expected to be made within the immediately succeeding four weeks but prior to the end of that financial year. Each claim shall be supported by a statement, which is certified by an accredited officer of the State Treasury and/or an officer of the appointed Government agency delegated the responsibility for the State. The required form and content of the claim and supporting statement are set out in the Guidelines to this Determination.
- 5.3 Subsequent to receipt by the Department of a claim by a State for financial assistance the Department may at any time seek any further details that it considers necessary to ensure that payment is in accordance with the principles and Guidelines to this Determination.
- 5.4 A State shall, in respect of a query by the Department under Clause 5.3 use its best endeavours to provide a satisfactory reply to the Department within a reasonable time period. Where that reply discloses matters such that payment of part and/or whole of the amount of the claim would be inconsistent with the principles and guidelines of this Determination, payment in respect of that part and/or whole of the amount of the claim will be withheld. If no agreement can be reached between officials of the State and the Department, the matter shall be referred for resolution to the Commonwealth Minister for Regional Services, Territories and Local Government in consultation with the relevant State Minister, where appropriate.

6. ACQUITTAL AND AUDITED STATEMENTS

- 6.1 Each State is to furnish to the Department as soon as practicable after the end of a financial year an audited financial statement, certified by the Auditor-General of that State, in the form as set out in the Guidelines to this Determination.
- 6.2 Where a State is unable to comply with this requirement within six months from the end of the financial year, a written request for an extension of time is required.
- 6.3 Where an audited financial statement provided by a State reveals a difference between the amount of assistance provided compared with the entitled amount of assistance available under this Determination the difference is due and payable within two months from notification.

7. MISCELLANEOUS

Guidelines

- 7.1 The Commonwealth may issue Guidelines to provide assistance and guidance on the forms and procedures to be adopted by the States for obtaining payments under this Determination. Such Guidelines may include the format for claims and audited expenditure reporting.

Notification of New Measures

- 7.2 A new measure to be adopted by a State is to be notified to the Department if practicable one month prior to adoption or, at the latest, immediately after its adoption. The Department may request a State to review a measure that the Department considers to be inconsistent with the guidelines specified in this document. If no agreement can be reached between officials of the State and the Department, the matter would be referred for resolution to the Commonwealth Minister for Regional Services, Territories and Local Government in consultation with the relevant State Minister, where appropriate.

Request for Extension of Claim Period

- 7.3 As provided in Clause 2 (*Eligible disasters and measures*), Commonwealth financial assistance in relation to the restoration or replacement of an essential public asset of an eligible public undertaking, is not available in respect of State expenditure which occurs later than a reasonable time after the occurrence of the relevant eligible disaster. In exceptional circumstances presented by a State, expenditure beyond the two-year period specified in Clause 2.2(b) may be approved by the Department as eligible for assistance.