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Australian Institute for
Disaster Resilience

ECONOMIC AND FINANCIAL ASPECTS OF DISASTER RECOVERY



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AUSTRALIAN EMERGENCY MANUAL SERIES

Economic and Financial Aspects of Disaster Recovery

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EMERGENCY MANAGEMENT AUSTRALIA

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First published 2002

ISBN 0-642-99670-9

Edited, typeset and published by
Emergency Management Australia

Printed in Australia by Pirion

THE AUSTRALIAN EMERGENCY MANUAL SERIES

The first publication in the original AEM Series of mainly skills reference manuals was produced in 1989. In August 1996, on advice from the National Emergency Management Principles and Practice Advisory Group, EMA agreed to expand the AEM Series to include a more comprehensive range of emergency management principles and practice reference publications.

The Australian Emergency Series has been developed to assist in the management and delivery of support services in a disaster context. It comprises principles, strategies and actions, compiled by practitioners with management and service delivery experience in a range of disaster events.

The series has been developed by a national consultative committee representing a range of State and Territory agencies involved in the delivery of support services and sponsored by Emergency Management Australia (EMA).

Parts I to III are issued as bound booklets to State and Territory emergency management organisations, students, community organisations, appropriate government departments for further dissemination to approved users including local government and over 70 countries around the world.

Parts IV and V (skills and training management topics) are issued as training guides in loose-leaf (amendable) form to all relevant State agencies through each State and Territory Emergency Service.

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THE AUSTRALIAN EMERGENCY MANUAL SERIES

The purpose of this Manual is to provide a national reference for best practice Guidelines on economic and financial aspects of disaster recovery.

This Manual was sponsored, edited and published by Emergency Management Australia.

Proposed changes to this Manual should be forwarded to the Director General, Emergency Management Australia, at the address shown below, through the relevant State/Territory emergency management organization.

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Foreword

Disasters of both natural and technological origin have a considerable impact on communities. The effects of disasters in Australia are significantly reduced by well established counter disaster arrangements at all three levels of government. These arrangements comprise comprehensive plans of prevention, preparedness, response and recovery and in more recent times, of mitigation.

The recovery elements of these plans address the social, psychological and economic effects of disasters on communities. There is considerable literature available to assist planners, managers, workers and the community in recovery from these effects. However, the documentation on the economic and financial aspects of disaster recovery relating to Insurance, the Natural Disaster Relief Arrangements, Disaster Appeals and the economic recovery of communities are only available in disparate documents.

This publication addresses each of those issues in the one document as well as providing guidelines aimed at assisting understanding and management of disaster recovery economics and the financial services available.

The project culminating in the publication of these guidelines was proposed by the State and Territory Disaster Recovery Committee of the Community Services Ministers Advisory Council and funded by Emergency Management Australia under the National Studies Program.

Introduction

The economic effects of disasters are mostly seen as physical damage to infrastructure. More often than not loss of income through loss of trading activity and the time taken to re-establish such activity, particularly for agricultural industries, is overlooked.

The consequences of extended periods of trading or production down-time can result in bankruptcy, forced sale, business closure, loss of experienced workers, a depleted customer base and population shrinkage. These consequences are exacerbated by community losses resulting in a reduction in disposable income. The flow-on through the disaster affected community has been likened to the domino effect.

Part 1 of this publication addresses the economic consequences of disasters on communities and includes a framework of economic recovery principles as well as strategies to implement those principles.

In this publication the term “economic” is used with respect to the costs to the community caused by the disaster while “financial” is used with respect to those schemes aimed at providing monetary sources to assist recovery.

The range of economic effects and consequences on a disaster affected community is relative to the specific nature of the event and the economic demographics of the affected community.

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PART 1

1A Economic Consequencies of Disasters

The economic effects of disasters can be devastating and widespread. When disasters strike houses, businesses and community infrastructure get damaged or destroyed and people's livelihoods are temporarily and sometimes permanently disrupted. Physical damage is the most visible economic impact of disasters.

However, the less visible impacts such as lost income through being unable to trade are just as significant and the consequences often last longer than the physical damage (for example, bankruptcy and business closures). The flow-on effects through a community can be pervasive.

The range of economic effects and consequences for a disaster-affected community vary greatly and depend on both the nature of the event and the economic health of the community. It is also important to recognise that communities are diverse. In some cases, disaster-affected communities recover and prosper, in others the adverse economic impact has a domino effect that spreads throughout the community. What makes some communities recover and prosper and others decline in the aftermath of a disaster? What are key characteristics of disaster-resistant communities? These are important questions and are critical to understanding the economic recovery process. The principles and strategies identified later in this report provide a starting point for considering these questions.

The economic consequences of disasters can be classified in a variety of ways. No single framework will cover and prescribe every possible impact a

disaster might have. Each disaster has unique characteristics and consequently in any attempt to classify these impacts there will always be impacts that do not fit neatly within the classification. Nevertheless a classification framework is a useful guide or tool we can use to tackle these issues.

Almost all impacts of disasters have an economic dimension, even if this economic effect cannot be measured. Economic impacts are typically divided into two categories: tangible (those impacts we can assign a dollar value to) and intangible (impacts which are not easily expressed in monetary terms). These impacts are then further subdivided into direct and indirect impacts. Direct impacts are those that result from the physical destruction or damage to buildings, infrastructure, vehicles and crops etc. Indirect impacts are due to the consequences of the damage or destruction.

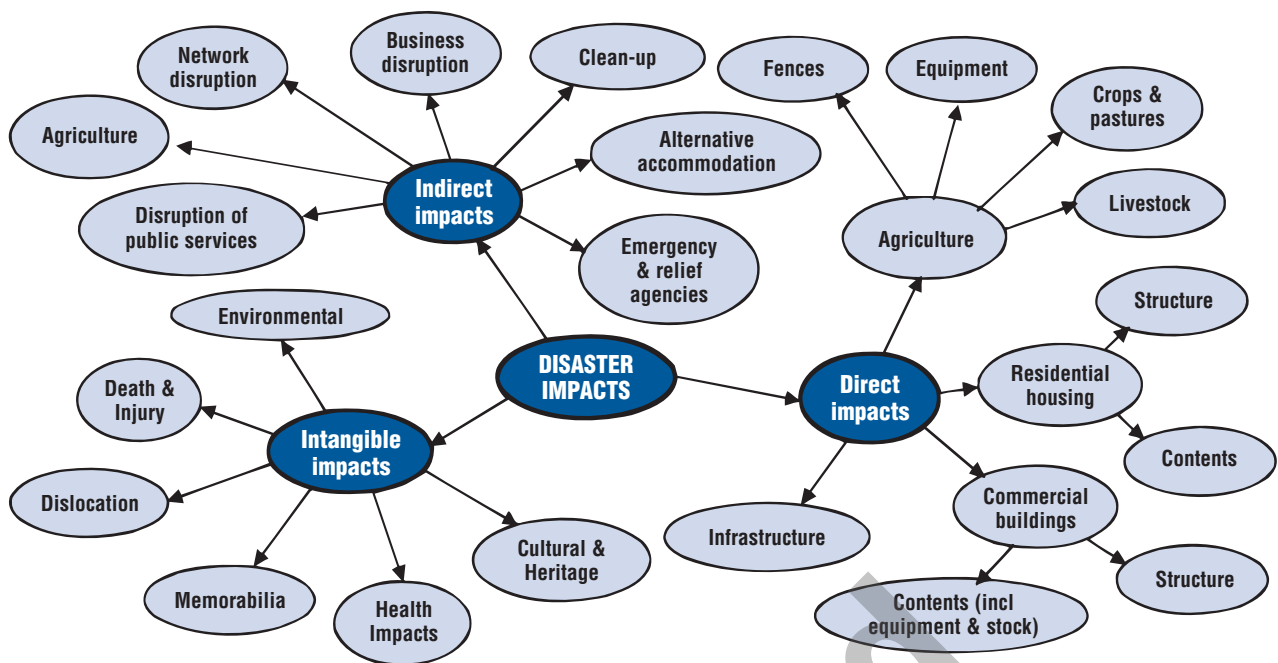
Figure 1 illustrates the impacts of disasters using three main categories-direct, indirect and intangible.

An alternative approach is to examine the impacts of disasters in terms of who or what is affected. Three groupings are common:

- Public infrastructure and community facilities;
- Business enterprises (commercial, industrial, retail, service, agricultural etc); and
- Residents and households.

Using figure 1 and BTE Report 103 a brief discussion of the direct, indirect and intangible impacts of disasters on each of these three groups follows.

FIGURE 1 THE ECONOMIC IMPACT OF A DISASTER



Source: Adapted from Bureau of Transport Economics 2001, *Economic Costs of Natural Disasters in Australia*, Report 103, Canberra.

Direct Economic Impacts

Public Infrastructure and Community Facilities

Lifelines (such as water and sanitation systems, electricity, gas, telecommunications and transport) are vulnerable to all types of disasters. Direct damage to lifeline infrastructure includes the immediate physical damage (eg. roads cracked or washed away, destroyed electrical transformers and so on) and also the damage which may take some time before becoming visible (eg. accelerated road deterioration due to the effect of water intrusion under road pavements).

Public buildings include schools, child care centres, kindergartens, hospitals, nursing homes, neighbourhood centres, churches, entertainment/art/cultural centres, museums, clubs and so on. Direct damage to public buildings can also be thought of using the break up into structural (eg. roofs, walls etc), contents (eg. furniture, floor coverings and specialist items like sound systems and paintings etc) and external (eg. playground equipment, swimming pools etc) damage.

Business Enterprises

Business enterprises include commercial, industrial, retail, service and agricultural business types. The economic impact of disasters on agricultural enterprises is often treated separately from other business types. Essentially however the impact on businesses can be viewed as falling into 3 main areas.

- structural damage to buildings such as shops, factories, plants, sheds, barns, warehouses, hotels and so on. This includes damage to foundations, walls, floors, roofs, doors, in-built furniture, windows etc.
- contents damage to fixtures and fittings (eg. carpets), furniture, office equipment, farm equipment, records, product stock (finished manufactured products, works in progress and input materials), crops, pastures, livestock etc. and
- external damage, for example, to motor vehicles and fences.

Residents and Households

The residential sector includes houses, flats, unit, townhouses and so on. The break up of direct damage into structural (eg. roofs, walls etc), contents (eg. furniture, floor coverings etc) and external (eg. swimming pools, gardens etc) is equally useful for this category.

Indirect Economic Impacts

Indirect impacts are those that are incurred as a consequence of the event, but are not due to the direct impact. Many indirect impacts are common to the public/community sectors business , and household (for example, disruption and clean up).

Disruption effects

The disruption to the community, businesses and households caused by disasters is pervasive. The economic impact of disruption and its consequences for community recovery is often overlooked, as economic recovery can tend to focus on the highly visible direct physical damage. The following categories list the common forms of disruption relevant to each area.

Sector/Area of impact	Disruption Examples
Business	<ul style="list-style-type: none"> —Lost or deferred production (eg. manufacturing, agriculture, services etc) —Lost or deferred income/trade/sales/value added (eg. tourism operators, retail traders etc) —Increased costs (eg. freight, inputs, agistment)
Public services and networks	<ul style="list-style-type: none"> —Transport (traffic delays, extra operating costs etc) —Loss of computer controlled systems —Loss of other lifelines (eg. electricity) —Government services (eg. education)
Households	<ul style="list-style-type: none"> —Additional costs (eg. alternative accommodation and transport, heating, drying out costs, medical costs etc)

Natural disasters can cause serious disruption to affected businesses which may not be able to operate during the event, and for some time afterwards, while the premises are being cleaned and equipment repaired. Business lost during this period can have devastating financial consequences and in some cases the business may not recover at all.

Loss of farm income due to a natural disaster can affect the economies of country towns. For example, the Australian Bureau of Agriculture and Resource Economics (ABARE 2000) estimates that farm expenditure represents at least a third of the economies of towns with less than 1000 people.

Disasters that reduce farm expenditure can therefore have a major effect on the economies of small towns.

Clean up

Cleaning up after a disaster is another obvious area of indirect impact. The impact for public and community infrastructure, businesses and households is essentially the time it takes and the costs of cleaning materials.

Clean up activities typically include removal of mud and debris, disassembly and cleaning of machinery and equipment, removal of destroyed household and business contents items and so on.

Response costs

The time and effort of emergency services and volunteers in responding to disasters are another form of indirect impact. Costs typically include those associated with dealing the disaster agent, rescue, evacuation and other immediate response measures.

Intangible Economic Impacts

Intangible impacts are often described as a 'catch all' that includes all those costs that are very difficult to estimate, for which there is no agreed method of estimation and for which there is no market to provide a benchmark.

Examples of intangible impacts are list below for each of the three main areas.

Sector/Area of impact	Intangible impact examples
Business	<ul style="list-style-type: none"> —Loss of confidence —Loss of future contracts —Loss of experienced staff
Public/Community	<ul style="list-style-type: none"> —Health impacts (deferral of procedures, reduced quality of care etc) —Death and injury —Loss of items of cultural significance —Environmental impacts —Heritage losses —Lack of access to education, health, defence, art galleries and museums etc
Residents and households	<ul style="list-style-type: none"> —Loss of personal memorabilia —Inconvenience and disruption, especially to schooling and social life. —Stress induced ill-health and mortality —Pets —Quality of life —Dislocation

Evidence suggests that the size of intangible costs is substantial and although most cannot be quantified, in many cases they do still have an economic impact that should not be ignored.

PART 1

1B Services and Service Delivery

Principles of Economic Recovery

The following principles of economic recovery and the supporting strategies provide a framework for those planners, managers and workers assisting the recovery of disaster affected communities.

Economic recovery from disaster is most effective when:

- Response and recovery actions actively support the recovery of business and industry.
- Business and/or industry representatives participate in economic recovery decision-making.
- Business and industry is returned to activity as early as possible.
- Economic recovery strategies are an integral part of the overall recovery management process.
- Measures are taken to mitigate against the impacts of future disaster on business continuity. and
- There is coordination of all recovery programs to support and enhance the economic structure.

Strategies

These strategies to implement the principles of economic recovery following disaster are shown in conceptual, management and service delivery classifications. They are proposed as examples, rather than an exclusive listing of strategies which might be invoked in all circumstances.

Conceptual

- Resettle evacuees into the affected area as soon as possible.
- Encourage emergency service agencies to implement procedures to support economic recovery (ie. assistance with cleanup etc).
- Support and promote the economic viability of the affected community.
- Purchase replacement goods and services locally, via local businesses and tradespeople wherever practical.
- Maintain the integrity of local agencies and their capability.
- Build on existing organisations and networks through activation of available systems within the community.
- Encourage support of local trade and commerce.
- Encourage agencies to employ local residents and to purchase resources and services locally.
- Provide government grants, appeal distribution and charitable payments as financial rather than material assistance in support of economic and local business recovery.

- Avoid duplication of services and identify gaps. and
- Maintain confidentiality and privacy principles.

Management

- Identify all segments of the business community which may be affected.
- Establish dialogue between business, industry and government representatives in the community.
- Establish a reference group which is representative of business, industry and employee groups.
- Provide the business community with information about the recovery process and resources available through the reference group and other appropriate mechanisms.
- Ensure business community participation in the Community Recovery Committee.
- Conduct inter-agency briefings and feedback sessions on the effectiveness and progress of the economic recovery program.
- Identify threats to business continuity for consideration in risk management processes. and
- Develop risk management assessments aimed at minimising future damage.

Service Delivery

- Ensure service delivery personnel have an awareness of the range of services available and appropriate referral processes.
- Ensure service delivery personnel are aware of the local economic circumstances pre and post disaster.
- Ensure service delivery personnel have good interpersonal skills and understanding of the local community.
- Provide financial assistance measures in a timely, fair, equitable and flexible manner.
- Ensure financial support is needs based and timely.
- Provide financial counselling and management services.
- Advocate with financial institutions on behalf of disaster-affected residents.
- Ensure services and/or information is coordinated and provided by a variety of means:
 - One Stop Shops
 - Newsletters
 - Outreach
 - Internet
 - Telephone, and
- Ensure availability and accessibility of economic recovery information and services.

PART 2

Financial Recovery from Disasters

The recovery of communities from the effects of disasters is assisted by a range of financial measures which provide a source of funds to business, government, householders and the community to effect recovery. These sources include Insurance, Natural Disaster Relief and Disaster Appeals.

This Part details each of these schemes. It should be noted that eligibility under these schemes is dependent upon the terms of the particular policy, State arrangements and the Trust Deed, respectively.

(i) Disaster Insurance

Natural and man made disasters impact upon businesses, homes and community infrastructure in any area, often without warning. Insurance is a means of gaining financial compensation for the cost of restoration of the damage or loss caused by disasters.

The major types of insurance cover available to policyholders to recover from disasters are home and contents, property and business interruption policies.

Home and contents policies usually provide replacement and reinstatement insurance which covers the cost of repairing and replacement of damaged property and contents. The less common indemnity policies take account of the age and condition of the items insured. If buildings and/or contents are underinsured the settlement amount from the insurer will be reduced. There is also a

need to be aware of the policy's exclusions of the risks not covered.

Commercial insurance is designed to help many of the risks, including damage or loss caused by disasters, that are faced by business including coverage for buildings, vehicles, equipment, stock, plant, fixtures and fittings as well as business interruption.

Insurance Disaster Response Organisation (IDRO)

The Australian insurance industry, with decades of experience in dealing with the aftermath of disasters, knows that policyholders need fast, practical and professional help which the Insurance Disaster Response Organisation (IDRO) has been established to provide. By coordinating the work of the Australian insurance industry when disasters occur, IDRO improves the recovery experience of policyholders and works closely with government, emergency services and communities.

The Insurance Disaster Response Organisation (IDRO) with the assistance of the insurance industry provides a unified presence and coordinated response to disasters. Together IDRO and the insurance industry will help to provide:

- One central contact point for insurance information.
- A faster, more informed assessment of disasters.
- Help with identifying insurers and lodging claims.
- Support in resolving claims, assessing damage and rebuilding.
- Improved collaboration with emergency services,

relief organisations, media and government to provide the best service possible on the ground.

- Post disaster reviews to help evaluate costs and recovery times.
- Support for innovative disaster research and recovery service development. and
- Greater awareness by the public and the media of the roles involved in recovery.

(ii) Natural Disaster Relief Arrangements

Introduction

The Natural Disaster Relief Arrangements (NDRA) are a determination by the Commonwealth Minister for Finance and Administration of the terms and conditions of assistance to the States and Territories to alleviate the financial burden associated with the provision of natural disaster relief and infrastructure restoration.

The objective of the NDRA is:

“To assist the recovery of communities whose social, financial and economic well-being has been severely affected by a natural disaster event”

The NDRA provides the definition of eligible disaster events, the Commonwealth/State cost sharing mechanism, generic criteria for eligible relief measures and administrative procedures as well as prescribing the General Intent of the determination and Conditions of Assistance. However, implementation of measures, means tests limits and the dollar value of assistance are determined by the States within those parameters. Hence this chapter does not address how the scheme operates in a particular State or Territory but rather the parameters within which each is able to administer their disaster relief schemes.

This chapter aims to give an overview of the NDRA for disaster recovery planners, managers and workers. It is not intended to be a policy document nor an authoritative source for State or Territory authorities with respect to Commonwealth reimbursement claims.

Commonwealth Financial Assistance Provisions

With respect to Personal Hardship and Distress payments the Commonwealth meets half the expenditure incurred by a State or Territory where it exceeds the small disaster threshold of \$200,000.

For other eligible measures, Commonwealth assistance is dollar for dollar for expenditure incurred by a State or Territory in excess of a base amount calculated by reference to each State or Territory's revenue. Where expenditure exceeds that base amount by 1.75 times Commonwealth reimbursement is 75 cents in the dollar.

Eligible Natural Disaster Events

Natural disaster events eligible for NDRA funding are:

- Cyclones,
- Floods,
- Storms,
- Bushfires,
- Earthquakes, or
- Landslides resulting from an eligible event.

General Intent and Conditions of Assistance

The following general intent and conditions of assistance apply to eligible NDRA measures implemented by the States/Territories:

- 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.
- So far as is practicable, assistance is to be designed to achieve an efficient allocation of resources.
- Other than for personal hardship relief measures, concessional-interest loans are generally to be preferred to non-repayable grants.
- Restoration or replacement of an asset is restricted to the extent necessary to restore it to pre-disaster standard.
- Public financial and trading undertakings are generally excluded. and

- Prerequisites that natural disaster mitigation strategies are in place in respect of likely or recurring disasters or for a commitment to develop and implement such a strategy within a reasonable timeframe.

Eligible Disaster Relief Measures

The following disaster relief measures are eligible for NDRA funding:

- Counter Disaster Operations.
- Personal Hardship and Distress Payments.
- Restoration of Public Assets.
- Concessional Loans to Primary Producers.
- Concessional Loans to Small Businesses.
- Concessional Loans/Grants to Non-Profit Organisations.
- Freight Subsidies to Primary Producers. and
- Certain Psychological Counselling.

The relief available under these measures is outlined below. It should be noted that not all relief measures are activated with respect to each disaster.

Counter Disaster Operations. This measure relates to expenditure by Emergency Services, State Agencies and Local Government on counter disaster operations to ensure the safety of life, health and property and assist the recovery of the community is eligible for reimbursement under NDRA.

Personal Hardship and Distress. This measure provides means tested Disaster Relief Assistance for the repair or replacement of Essential Household Contents and Repair of Dwellings as well as Temporary Living Expenses.

Restoration of Public Assets. This measure relates to Local and State Government expenditure on the restoration of essential public assets other than Trading Undertakings.

Concessional Loans to Primary Producers. This measure relates to concessional rate loans to primary producers for carry-on needs, stock replacement and restoration of fixed assets.

Concessional Loans to Small Businesses. This measure relates to concessional rate loans to Small Business Operators for reestablishment of business operations following physical loss.

Concessional Loans/Grants to Non-Profit Organisations. This measure relates to concessional rate loans and accompanying grants to non-profit organisations for the restoration of assets.

Freight Subsidies to Primary Producers.

This measure relates to concessions for the movement of essential items such as food, building materials, stock, fodder, water, machinery or fuels.

Psychological Counselling. This measure relates to certain psychological counselling adopted to alleviate distress or damage which is a direct result of an eligible disaster.

Activation

Measures under the Natural Disaster Relief Arrangements are activated by a State or Territory Minister following natural disasters where:

- Expenditure on relief measures is expected to exceed the Small Disasters threshold of \$200,000.
- The damage was caused by an eligible natural disaster event. and
- There is a demonstrated community wide need for a particular relief measure.

It should be noted that it is usual to only activate those measures relevant to the specific needs of each disaster. It is also usual for the activation declaration to relate to a specific geographical area.

Operations

Operational arrangements vary between the States and Territories with respect to the particular departments which administer each of the assistance measures. However, it is usual for the following measures to be administered within the portfolios responsible for the functions shown:

- COUNTER DISASTER OPERATIONS
Emergency Services
- PERSONAL HARDSHIP AND DISTRESS
Community Services
- RESTORATION OF PUBLIC ASSETS
Local Government
Natural Resources
Emergency Services

- CONCESSIONAL LOANS TO PRIMARY PRODUCERS
Primary Industries
- FREIGHT SUBSIDIES TO PRIMARY PRODUCERS
Primary Industries
- CONCESSIONAL LOANS TO SMALL BUSINESS
Small Business
- CONCESSIONAL LOANS TO NON-PROFIT ORGANISATIONS
Community Services
- PSYCHOLOGICAL COUNSELLING
Community Services
Health

Activation of relief measures is publicised by Ministerial Media Releases which advise of eligibility criteria and application processes. The Community Services departments usually establish disaster relief centres to accept applications for Personal Hardship and Distress under their Disaster Relief Assistance Schemes.

(iii) Public Disaster Appeals

Introduction

The Australian community has historically come to the aid of people affected by disaster through monetary donations to disaster appeal funds.

The magnitude of disaster events, in terms of such things as the impact on individuals, geographical area and costs have primarily determined the source(s) from which a disaster appeal may be initiated. Generally, local authorities, non-government organisations or the media have initiated disaster appeals when the disaster affects the people, businesses, etc. within that local authority's boundaries.

However, the various State governments and/or the lord mayors of the principal cities have initiated disaster appeals which have national or special interest or widespread impact and that are considered to be beyond the capacity of one local authority to manage.

Experience shows that there is a need to have procedures for handling public appeal funds available for use in the event of significant disasters occurring within Australia.

Purpose

These guidelines have been designed to assist those involved in the management of an appeal fund, perhaps for the first time and under the pressure of time constraints. They cover a wide range of matters in the establishment and administration of the appeal fund, the determination of those who should benefit from the fund and the criteria for making grants.

The significance of public appeals as a recovery symbol for a community should be recognised by all involved in the management of appeal funds. Further details of the importance of symbols to individuals and communities affected by disaster may be found in Section B of the AEM—Disaster Recovery, "Effects on Communities and Individuals".

Equity

The aim is to establish principles which will provide equity for recipients. Because of the wide diversity of need by individuals, it will not be possible to satisfy all individual needs. While accepting this, attention should be given to equity between individuals and groups, mindful of the importance of the appeal in providing a positive recovery symbol to the affected community.

Flexibility

The needs of recipients will vary depending on the nature and intensity of the disaster, the nature of the community and the stage of recovery reached. An appeal management needs to continually reassess the assistance it makes available in the light of the current situation.

Not Prescriptive

These guidelines are not prescriptive in terms of providing answers to all the issues which confront disaster appeal managers, but rather aim to establish principles of appeal management and raise awareness of the issues about which appeal managers need to make determinations.

Unintended Consequences

Consideration must be given to the overall outcomes of distribution decisions to ensure that serious unintended consequences are minimised.

Unintended consequences are likely to occur when decisions are made on the basis of a narrow view which does not take into account the overall situation and the situation of that particular moment in the whole recovery process. An example of this is the donation of a specific item, such as refrigerators, to all people affected by a disaster. Whilst this assistance may be significant to householders the impact of such an offer on local businesses may be devastating. A more holistic solution would be to provide funds to householders to enable them to purchase appliances, etc. in the local area.

Management

The management of disaster appeals may be undertaken by trustees operating within the terms of a trust deed. There may also be a need for management and distribution committees to support the trustees in the administration of the fund.

Trust Deed

A trust deed is the document which establishes the trust fund, into which donated funds are deposited and from which distributions are made. The deed also determines the conditions of appointment of trustees as well as the fund's purpose, administration and the broad arrangements for distribution of monies collected. Trust deeds may be of a continuing nature or created specific to a particular disaster.

Trustees

Trustees are appointed as per the terms of the trust deed and hold donated monies in trust for distribution within the eligibility arrangements. The trustees are the peak policy making body for the management of the appeal and the distribution of donated monies. Final accountability and responsibility for the collection and distribution of monies lies with the trustees.

Management Committee

The management committee is responsible for the operational management of the disaster appeal. This involves the actual operation of the appeal, within the policies determined by the trustees. Distribution of funds may be undertaken by administrative support staff or the establishment of a separate distribution committee.

Distribution Committees

Distribution committees are responsible for acceptance of applications for appeal funds and distribution of monies within the policies determined by the trustees and the eligibility conditions determined by the management committee. Distribution committees usually comprise a high proportion of locally based representatives.

Types of Organisations which establish Funds

A variety of organisations establish funds designed to assist victims of disasters. These include:

- State Governments;
- Local Governments;
- Charitable organisations;
- Service clubs;
- Churches; and
- Media.

These organisations either establish special appeal trust deeds or utilise existing deeds with like objectives to administer the moneys. Australian taxation deduction benefits accrue to donors only if the objects of the trust deed clearly states that the assistance will only be provided to persons in Australia who are "in necessitous circumstances".

The use of existing services and structures is recommended, if they have the capacity, to undertake the administrative procedures relating to the appeal funds. There are also advantages in other appeals being combined with the Government-operated one or, where this is not possible or desirable, being coordinated especially with respect to eligibility conditions and the purposes for which grants are made.

The aim of combining or coordinating appeals is to:

- achieve greater equity;
- limit double-dipping;
- prevent gaps in eligibility and benefits; and
- reduce administrative costs.

To achieve combination or coordination with a Government appeal the announcement of the appeal should publicly invite other appeal managements to participate in a combined fund. Subsequently the management committee should approach other appeal managements to enter into discussions about combination or coordination. Where other appeals agree to combination the managers of those appeals should be added to the membership of the management committee. Where combination is not possible the management committee should make arrangements with the other appeal managements for exchange of information to achieve the aims detailed above.

Accountability

There is a moral and legal obligation for the trustees of appeal funds to account for the donated money. Thus it is recommended that public acknowledgment and advice as to the application of the funds be provided in the media. The audit of the books of account should also be undertaken at regular intervals during the life of the appeal fund and particularly at the closing of the fund. Various legislative requirements are usually applied to the trustees to require these actions.

Administration Costs

Consideration should be given to how the administration costs of the appeal are to be financed. In major appeals these can be very considerable with the employment of administration staff over many months. Consideration should be given as to whether the appeal or a sponsoring body, such as a government agency, pays for these costs.

Principles

The following principles are recommended for adoption when establishing and managing disaster appeal funds and the distribution of appeal moneys:

1. Policy

- The management committee must involve input from persons from the disaster affected area.
- Appeal funds should be distributed in a manner which is accessible, equitable and timely.
- Eligibility guidelines should be well-publicised and accessible. This should include the use of ethnic media for the benefit of people from non-English speaking backgrounds.
- The management committee should ensure that distributions from the appeal fund support the recovery of both individuals and the local community.
- Every effort should be made to disburse all moneys collected.
- Where there are a number of organisations conducting disaster appeals, they should be coordinated and, where possible, combined.
- Disbursements from appeal funds should take account of other assistance available to victims.
- Appeal funds must not be used to make loans but should be given as grants for assistance. Loans carry an expectation of repayment, and this is contrary to the desire of donors for their assistance to be made directly available to those affected by the disaster.
- Eligibility conditions for grants should not act as a disincentive to people taking out normal insurance; and
- Taking into account assistance from all sources, applicants should not gain a financial advantage out of their disaster experience.

2. Administration

- The management committee should represent the interests of both the donors and recipients.
- Distribution of funds should only be made available to persons lodging a written application form.

- Subject to a trust deed or legislation, the management committee has the responsibility to determine the criteria and priority for the allocation of grants. and
- A report of the operations of the appeal fund, incorporating the financial accounts, should be published.

Guidelines

The following guidelines are aimed at assisting management committees address a range of disaster appeal issues.

Trust Fund and Legislation

Prior to the creation of the trust deed, consideration should be given to, at least, the following items:

- whether the trust will be permanent or disaster-specific;
- the objectives of the trust;
- what will activate the trust? (applicable if a permanent trust);
- what will close the trust? (applicable if an event-specific trust);
- the body or type of body to which residual assets of the trust are distributed when the trust is closed;
- membership—the trustee(s) and the management committee;
- whether applicants' eligibility criteria will be specifically included in the trust deed, or whether this aspect will be the responsibility of the committee;
- investment of the funds;
- receipt of moneys; and
- disbursement of moneys.

Should the trust be a statutory fund, care will need to be taken to ensure the relevant legislative provisions are observed.

Tax Deductibility

The availability of taxation deductibility is a great incentive for people to donate. For this purpose, early contact should be made with the Australian Taxation Office (ATO) to advise what is proposed. When the deed is available, it should be forwarded to the ATO for consideration and grant of the tax-deductible status.

Legal assistance is necessary in the development of a trust deed. The following comments are intended as helpful advice and do not substitute for obtaining qualified legal assistance at the time.

Tax deductible status would usually be sought pursuant to Item 4.1.3 of table 4 of subsection 78(4) of the Income Tax Assessment Act 1936. This allows tax deductible status to a **public fund established and maintained for the relief of persons who are in necessitous circumstances**. (This may exclude the possibility of payments being made to assist small businesses.)

ATO has indicated that for a fund to be accepted as a 'public' fund, it must be demonstrated that:

- the fund is open to subscription by the public;
- the public, or a significant part of it, must in fact contribute to the fund;
- the public must participate in the administration of the fund; and
- the fund must be applied exclusively for public purposes.

In addition, the winding up provisions in the deed should provide that any body to which the residual assets of the trust are distributed must fall within the provisions of subsection 78(4) of the Act, ie. it must also have tax-deductible status under the same section.

Sources of Donations

Often an appeal is launched by the state or a local government body making an inaugural donation.

Donations can come from people in all walks of life, and from interstate and overseas if the disaster has a major impact on a large part of the community. Businesses and their workers are also a significant source of donations.

Collection of Donations

Immediate consideration will need to be given to ways of making it as easy as possible for the public to donate to the appeal, including through:

- branches of banks;
- local authority offices;
- church offices; and
- newspaper cut-outs to send with the donation.

Material Donations

Disasters often attract donations of material goods, typically clothing and furniture. This may be in the response to an appeal by the authorities or be motivated by a community wishing to assist those in need.

Material donations tend to have a negative effect on the recovery of a disaster affected community. The personnel resources devoted to accepting, storing, transporting and distributing material aid may be best directed to other recovery needs. The time taken to manage material aid may preclude usefulness to disaster affected persons and the donations received may be of little use if of the wrong size, colour or style.

The provision of material assistance also reduces the capacity of individuals to manage their own recovery and reinforces their dependence on charity, undermining their self esteem and dignity.

For these reasons all donations should be monetary. To achieve this it is necessary in the early stages of the disaster for a prominent, credible member of the committee to publicly announce that only monetary donations are required.

Even then, material donations will still be received. It is suggested in these circumstances that such goods be directed to the charitable organisation with expertise in the management of the material of that kind.

Where there is a need for material goods to be provided, because of the special circumstances of the disaster, the preferred position is for charitable organisations with expertise in the area to provide material goods "to order" in exchange for the proceeds of a material aid appeal.

Acknowledging Gifts

People and businesses take great pride in seeing their names associated with a publicly-acceptable and worthwhile cause. It is therefore essential to publicly acknowledge donations received in the media. This practice can encourage more donations and is a form of accountability (see also the sub-section of this chapter entitled 'Accountability').

Such acknowledgments can be either in the form of an advertisement in daily newspapers, over the radio, on television or in public addresses. Local community newspapers can be used for the same purpose.

Media Involvement

The media is a powerful tool for all forms of appeals and every effort must be made to enlist the aid of all branches of the media to achieve a successful appeal.

Firstly, the media can be employed in various ways to provide publicity for the appeal, including:

- television stations coverage of the disaster event and showing visual images of the event, accompanied by an advertisement for donations to the appeal. (most television stations will do this as a community service);
- live radio coverage of the disaster event coupled with regular on-air appearances, eg. talk back programs, by a senior member of the committee; and
- extended newspaper coverage of the disaster event and the recovery efforts alongside advertisements seeking donations to the appeal.

In addition to the 'straight forward' publicity referred to above, the media should also be used as a means of regular reporting on the progress of the Appeal in terms of the level of funds raised and the level of funds disbursed.

It might be appropriate for these reports to be accompanied by before-and-after television footage or photographs. However, this should be treated sensitively, with consideration given to the stage and status of the overall recovery process in the preparation of such a report.

In particular, individuals and communities may be particularly vulnerable at certain stages of the recovery process and the possibility of further anger and disappointment may be accentuated.

Disbursements

Achieving equity in the distribution of disaster appeal moneys is difficult. The needs created by each disaster are unique to that disaster event. Adopting the principles of disaster appeal management referred to earlier will address equitable distribution according to need.

Listed below are the major issues for determination by the committee, together with advisory notes to assist in that determination.

Eligible Losses

Examples of likely losses are shown in Appendix A, to assist determination of which losses are to be eligible for disbursement from the appeal fund.

Priority

Determination of the priority of eligible losses is important to achieve timely disbursement. Disbursement with respect to emergent circumstances and personal hardship have typically received first priority.

Means Tests

Consideration should be given as to whether eligibility for disbursement is to be means tested, and if so whether the test will apply to assets as well as income.

Insurance

Eligibility conditions should address insured losses and under-insurance.

Government Disaster Relief Schemes

Assistance provided through State and Commonwealth disaster relief schemes should be addressed in the eligibility conditions. Assistance from Government disaster relief schemes which are means tested should not affect eligibility for grants from appeals, as they are targeted towards those in most need who should also benefit from public donations.

Other Disaster Appeal Funds or Assistance Measures

Consideration should be given to the effect on eligibility conditions of disbursement from other appeals, charities and other available funds.

Specific Purpose Donations

Some donors may wish to donate for a specific purpose, such as residents of a particular area, or to equip a particular service, such as animal welfare. In determining whether it can receive such a donation, the committee will need to determine whether it can make such a disbursement under the terms of its governing trust.

Range of Applicants

The eligibility considerations should address assessment of applications with respect to individuals, families, dependent children, households, business¹ and non-profit organisations.

Grievances/Appeals

Consideration should be given as to whether it is intended to establish grievance mechanisms for concerns about eligibility assessments.

Identification of needs

The application form should identify losses which will require subsequent assessment. The needs will include emergency food and shelter, personal belongings, household contents, residences, vehicles, income, medical and many others. Not all applicants will be able to identify their needs and losses in the first few days after a disaster. Opportunity should be given to allow subsequent statements of needs and losses as the victims begin to recover and re-evaluate their losses.

Assessment of needs

Every effort should be made to ensure that disbursements from public appeal funds are applied equitably and consistently to all persons affected by a disaster. The distribution committee may require external advice to assess claims from applicants in specialist areas such as agriculture, equipment, machinery, or for the determination of family formation.

As well as material losses, consideration must be given to the priority for making grants for grief, disfigurement, funeral, medical and rehabilitation expenses.

Staged payments provide the opportunity for assessors to adjust grants in the cases where applicants' financial situations change. It can be expected that an applicant's loss may significantly increase or decrease due to the discovery of further losses, because of a late insurance settlement or the receipt of a grant from other sources. It could be six months before estimates stabilise.

Personal contact with claimants is the preferred means of obtaining information.

The management committee must expect some people who have made applications to be "dobbed in" by others for alleged over-claiming. The management committee must decide how to handle the advice. It is recommended that discreet follow-up be undertaken on all such allegations.

Insurance

The quantum of assistance from appeal funds to applicants who have either insured, not insured or are underinsured presents an eligibility dilemma to funds managers. The difficulty is to achieve equity between the three groups.

The distribution of appeal funds should not act as a disincentive to people taking out normal insurance. Yet it is incumbent upon those managing appeal distributions not to leave sections of the community in sub-standard circumstances.

The reasons for non-insurance or under-insurance are many and varied and range from a positive decision not to insure through to unavailability, unaffordability or oversight. It is not possible for, nor indeed the prerogative of, the appeal Committee to make moral judgements about the reasons people do not insure and/or underinsure.

Appeal eligibility conditions should aim to include insured, non-insured and under-insured applicants. Except in circumstances where all needs are able to be met, the most likely and acceptable aim is for those fully-insured to suffer a lesser overall loss than the other two classes of applicants.

Application form design

The application form should include sufficient information to identify the applicant and to advise where the applicant may be contacted. They should also give advice about the nature of the damage, information for means testing, and insurance coverage. In addition to these details the information listed in Appendix B may also be required.

It is also recommended that a statutory declaration be made to confirm information provided and acknowledge that grant funds can be reclaimed if compensation is subsequently paid by another authority.

As with any aspect of information provision during the recovery process application forms should adequately meet the needs and diversity of the affected community. Consequently, they may be required in a range of different languages, assistance may need to be provided in their completion, and suitable arrangements should be made for their distribution and collection.

This may include the provision of interpreters to assist those people from non-English speaking backgrounds.

The boundary of the disaster area

This requirement is often difficult to determine, eg. the undamaged areas within the disaster area or incidents occurring on the same day as the disaster. The management committee should determine a policy early to limit ineligible claims and unfulfilled expectations.

Appendix A

ALPHABETICAL LIST OF LIKELY LOSSES FOR WHICH ASSISTANCE MAY BE PROVIDED

ACCOMMODATION

- Emergency accommodation
- Rental assistance
- Tariffs

BUSINESS

(including primary production)

- Business premises
- Crops
- Equipment
- Fixtures and fittings
- Land rehabilitation
- Loss of profits
- Machinery
- Sheds
- Stock
- Tools
- Vehicles

COMMUNITY FACILITIES

- Public
 - Gardens
 - Libraries
 - Neighbourhood centres
 - Parks
 - Playgrounds
- Private
 - Churches
 - Clubs
 - Sporting facilities

DEATH

- Funeral expenses
- Cost of transportation of body
- Costs relating to recovery of personal effects
- Trust accounts

DISABILITY/PERSONAL INJURY

- Cosmetic injury
- Loss of limbs
- Loss of mobility

HOUSEHOLD CONTENTS

- Books
- Computers
- Electrical appliances
- Electronic equipment
- Furniture
- Household/garden tools
- Kitchen equipment and wares
- Linen/blankets/mattresses
- Videos/CD's
- White goods

LOSS OF INCOME (non-business)

- Commissions
- Salary
- Wages

MEDICAL EXPENSES

- Consultation fees
- Hospital expenses
- Medical equipment
- Medication/pharmaceutical

PERSONAL BELONGINGS

- Clothing
- Glasses
- Hobby equipment
- Pets
- School books/equipment
- Toys
- Watches

Appendix A

RESIDENCES

- Caravans (permanent living)
- Clean up
- Driveway restoration
- Fences
- Garages
- Garden sheds
- Home units
- Landscaping
- Paths
- Pergolas
- Townhouses

VEHICLES (private usage)

- Bicycles
- Cars
- Motor cycles
- Recreational (caravans/boats)
- Trailers
- Trucks
- Vans

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Appendix B

INFORMATION REQUIRED IN THE APPLICATION PROCESS

IN DEVELOPING APPLICATION FORMS FOR ASSISTANCE THE FOLLOWING INFORMATION MAY BE REQUIRED.

PERSONAL/IDENTIFICATION DETAILS

- Name (all residents)
- Date of birth/age
- Occupation
- Address
 - Disaster affected
 - Temporary/contact

ASSISTANCE MEASURES

- type of assistance being applied for
- details of type and amount of assistance received from other sources

FINANCIAL DETAILS

- Income
- Assets
- Insurance
- Dependants

RESIDENCE TYPE

- Principal
- Holiday
- Owner/occupier
- Tenant

LOSS/DAMAGE

Type

- Property
 - Household
 - Personal effects
 - Fencing
 - Motor vehicle
 - Tools of trade
 - Income

- Extent of damage

DECLARATION

- Statutory declaration verifying losses
- Commitment to repay funds if compensation for damage/loss is received from another source (ie. insurance).

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PART 3

Case Studies

Case Study 1

Background

The Tourism Sector is central to the Tasmanian economy. The Tasman Peninsula's tourism industry is based around the Port Arthur Historic Site as the central attraction. The Port Arthur Historic Site has over 200,000 visitors a year and is one of the most visited tourist sites in Tasmania. The effects of a disaster can run deep into the economic fabric of a regional community like the Tasman Peninsular and can have a ripple effect through the whole Tasmanian tourism industry.

Assistance Package

Following the Port Arthur disaster the Tasmanian Government approved a business assistance package consisting of:

- Grants for immediate cash flow assistance to business directly affected by the disaster.
- Subsidy assistance for businesses with commercial borrowing's that were unable to meet the repayments. and
- Capital loan assistance to encourage business building activities following the disaster. (Loan interest subsidies)

For the purposes of this paper businesses in the Port Arthur area are segmented into four tiers:

First Tier

The implications of the Port Arthur disaster for the first tier operators, such as attractions, ferryboats, tour guides and coffee shops were instantaneous. Employers needed to take immediate action to minimise the cost out goings until visitors returned.

Second Tier

Second tier operators, such as laundries that wash accommodation linen and bakeries, that supplied breakfast croissants, took a little longer to be affected but eventually they had to take steps for financial survival.

Third Tier

The third tier operations include supermarkets and corner stores that were affected by declining passing trade and the staff cut backs that the first and second tier businesses had made.

Fourth Tier

A disaster of this magnitude had an affect on the States tourism industry as a whole. This disaster was of such proportions as to damage the image of the State as a safe place to visit and holiday. Many businesses can be included in this sector across the economy.

Sufficient time had to pass in tourist's minds before they would return to the State or the area.

Some lessons learnt from Port Arthur

From a financial and economic perspective a number of lessons were learnt regarding the cause of actions followed. These included:

- Assistance Package offered to overcome the economic difficulties was appropriate for the various needs.
- The well-run businesses with low debt-to-equity ratios were not necessarily eligible for assistance. In times of disaster it is the companies that own assets, not lease them or have them on hire purchase or bank loans, that survive or recover fastest. The low fixed costs of the business with little or no bank loans or lease payments allow them to minimise the outgoing expenses associated with the day to day operation of the business and quickly adjust to the lower income structure that is bought on by the disaster.
- It was sometimes difficult to distinguish between the past financial problems of businesses and the effect of the current disaster. and
- Some businesses in the area did not want to share their financial details with government and choose not to participate in the assistance offered.

In General

Most small businesses operate with a minimum cash reserve, so a sudden decline in patronage caused by a disaster necessitates a major adjustment in the business. The easiest way for business to do this is to:

1. Stand down or terminate employees.
2. Stop purchasing products for sale or further processing. and
3. Slow the outflow of funds to creditors.

Another survival method for businesses in this situation is to increase the number of customers, for example, sourcing work from out of the affected area. So a bakery may offer its produce to a neighbouring town or city. A laundry may seek linen from accommodation places in neighbouring municipalities.

It is the second tier and third tier businesses that are the most vulnerable to collapse as they don't have the sympathy of outsiders, compared with first tier businesses and they may have difficulty proving eligibility for application to assistance programs on offer.

In conclusion

Assistance that ensures the survival of the existing economic infrastructure of a region is vital to disaster recovery, but it should not be so great as to affect the natural economic laws of supply and demand operating on the sales and distribution of existing products or services. Government can initiate major projects, such as the new visitor centre at Port Arthur, that can assist in erasing some of the bad memories of the past and provide a boost in construction and service jobs into the area.

Case Study 2

Gympie Floods 1999

- Flooding commenced on the afternoon of 8 February 1999 and peaked at 22 metres at 4am 10 February, the highest level this century.
- Population is between 12,000 and 15,147 in Gympie and 31,862 in the Cooloolo shire.

Economic Impacts

- Approximately **132 small businesses** in the CBD and other areas within Gympie town were inundated.
- **Cost of moving stock out, cleaning up, repairing damage, restocking of shelves and general loss of trade for 4–5 days. Some businesses lost up to two weeks' trade, a monetary value of up to \$25,000.** For example a jewellery business was impacted heavily as their Valentine's Day trading was lost.
- Maintain positive business attitude.
- Whilst most businesses affected by floods that pass through Gympie accept the associated risk or make provision for the "one in one hundred years", the height of the flood caught many unprepared. **Flood had more impact on the economy than any since European settlement.**
- **Nolan Meats** (140 employees) claim they had built their plant for the one hundred year flood but this one was 'a half inch higher' and have suffered \$250,000 damages and lost \$750,000 in turnover. This occurred immediately following \$2.5m being spent on plant expansion and improvements, and at a time when the company was about to enter a second phase of development.
- **CSR and Laminex** (particle board and fibreboard plants) and the region's **sawmills** whilst in some cases not suffering flood damage, initially **lost 3 days production** and then again further production when the stocks of logs ran out. As a **flow on** the particle board plant will then not be able to produce through lack of mill waste. Logging roads in the region have suffered considerable damage and conditions will be too wet for logging operations for some time (**loss of business activity**).
- The Yabba Creek Bridge at Imbil was destroyed forcing Hyne and other millers to transport milled produce long distances, and will increase **transport costs** for mill waste for CSR. Bridge replacement cost is \$1.2 million.
- Other direct flood costs were estimated at \$2 million which included 55 houses inundated.
- The dairy industry in the region suffered **\$8 million lost in fodder, fences, milk production and stock. Loss of power** prevented dairy cattle being milked for some time.
- A flow on effect has been a decline in trade from the rural community. Farmers have been affected through loss of crops, stock and damage to infrastructure, which has impacted on retail traders and service providers in the Gympie area.
- Another issue was that a number of businesses relocated to higher areas of the town to escape future flood impact which impacted on property owners as they found it difficult to find tenants for their premises.
- Roadcraft, listed as a 'firm in difficulty', was inundated by flood water. and
- An initial assessment of the short term effects based on the above impacts is \$23 million.

Response

- The Immediate Response Plan was appropriate to help mitigate the impacts of this natural disaster.
- The Sunshine Coast State Development Centre made personal contact with 150 flood-affected businesses in the region.
- A senior business advisor established a shopfront office in Gympie for approximately 8 weeks. The officer maintained a steady presence in the area in order to provide information (presentations to local organisations eg Chamber of Commerce and Cooloolo Regional Development Bureau and one-on-one advice to businesses) on available DSD services and assistance to support the recovery of small business in the Cooloolo region.

- Community suffers from flooding periodically so community system in place whereby local businesses work together to undertake “working bees” etc to get each other up and running. Relationships and links between businesses were strengthened, leading to greater cohesiveness and cooperation with areas such as customer referrals from one business to another.
- CBD Committee established a flood action plan, particularly beneficial to business owners new to area that had not been through flood situation.
- Work with business people to discuss their plans for the future and how they can turn these into reality using marketing and planning tools.
- This officer was housed in DNR building, which provided corporate/ administration support via assistance with counter and telephone enquiries, IT and other administration assistance.
- Information has been provided to relevant organisations such as the CBD association on programs such as:
 - Management—Skills Development Scheme (MSDS);
 - Small Business workshops on marketing, strategic planning, “leading edge” and customer service to assist businesses adjust to the effects flooding has had on the Gympie/Cooloola regional economy;
 - Firms in Crisis;
 - Queensland Industry Development Scheme;
 - Regional Business Development Scheme; and
 - Business operators were assisted with information relating to the Queensland Rural Adjustment Authority.
- Coordinated whole of dept and whole of government assistance via existing programs.
- Specific assistance provided through the Queensland Meat Processing Industry Development Initiative to Nolan Meats.
- Officer maintained a client database to enable the Maryborough SDC to follow up at later date.
- Coverage of the wider business community, both flood affected and not, was achieved through press releases published in the Gympie Times and news bulletins on regional radio stations. and
- Total budget not including wages was \$4010 over 12 week period.

Case Study 3

A sizable western rural town was flooded. The business center was totally inundated and the flood waters entered the houses in three quarters of the residential area. The town's central business area suffered substantially through damage to premises, damaged stock and loss of trading. There was concern that the town might not survive if economic recovery was not achieved. One small but important aspect of recovery was with regard to the substantial damage to household contents and in particular to white goods, particularly refrigerators with most being irreparable.

The Flood Appeal raised considerable donated funds and it was to this source that residents were looking for funds to replace their refrigerators.

Initially it was planned to purchase them in bulk from a national supplier at a discounted price and distribute them to those whose refrigerators were unserviceable. Subsequently it was realised that this would not only deny residents the right of choice and

therefore lower their self esteem but would also have a devastating effect on the local retail appliance store. With virtually no cash flow from appliance sales or servicing in the foreseeable future the store was unlikely to survive causing loss of employment, loss of a retail outlet, possible loss of residents and increased future cost of electrical appliances through extra freight costs.

An arrangement was made with the national supplier for the appliances to be ordered through the local retailer who would then also have servicing rights. There was little extra cost to the appeal fund and this action preserved the community's self esteem as well as retaining the electrical appliance store and contributed significantly to the economic recovery of the town.

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