

An Open Letter

To the Wye Sep Community

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2 Introduction

We own vacant land at 19 McRae Road Wye River and are seeking to build a house. As a result of the BAL system, we have hit significant financial barriers in this pursuit that has so far prevented us from fulfilling this goal. We find ourselves having great empathy for the bushfire victims in the area who are now facing the same barriers. It is a large economic challenge for the future of Wye River.

This open letter offers up facts that we have collected during our property development process and proposes some solutions. We are proud to be part of this community. The tragic events of Christmas Day have brought to the surface a problem that has been bubbling in Wye River since 2009, namely that of extraordinarily high building costs under the BAL Rating system. We hope this tragic event leads to the opportunity for all of us to resolve this problem and build a strong, sustainable and resilient community.

We think the balance is wrong. We understand the objective of the BAL Rating system is to protect life and property. This was a low intensity fire and the town was able to be evacuated with plenty of warning. We understand that the next fire to come through may be much worse and that the beach is not always a safe place. In this letter, we propose options that strike a balance. Our proposed options make the best use of the BAL system. They balance the practicality of building versus compliance and shift some of the burden away from individual landowners and redirect them to community prevention measures.

3 The Challenge

Table 1 shows an estimate of the additional costs of the BAL system when applied to Wye River bush fire affected properties (in accordance with the Terra Matrix BAL assessment of April 2016). We estimate the total cost on average is \$27.3m and lies in the range of \$18.2m and \$36.5m. We believe these figures are above what the town can sustain and that the costs are distributed unfairly.

Table 1 – Estimate – Distribution of Cost to Land Owners for Wye River Fire Defence

BAL RATING	AVERAGE ADDITIONAL BUILD COST ⁽¹⁾	PROPERTY COUNT	TOTAL ADDITIONAL COST	TOTAL LAND AREA ⁽²⁾	AVERAGE COST PER M ² OF LAND	%
BAL-FZ	\$150,000	72	\$10.8m	54,000	\$200	150%
BAL-40/FZ	\$112,500	71	\$8.0m	53,250	\$150	112%
BAL-40	\$75,000	98	\$7.4m	73,500	\$100	75%
BAL-29	\$37,500	32	1.2m	24,000	\$50	37%
Total		273	\$27.3m	204,750	\$133.52	100%

(1) Figures are based on industry standard references including Australian Institute of Quantity Surveyors (AIQS), fire consultant reports and quotes for our project. For more details, refer to section 6. We propose that an independent entity invest in analysis from credible economics firm to verify this modelling.

(2) Based on an average land area of 750m²

The proposed BAL system creates an unfair town economy. To defend Wye River properties from bushfire, we estimate that property owners toward the centre of town pay on average 4 times less per square meter of land compared to property owners towards the outskirts of town.

This unfair and unsustainable economy has the potential to tear apart the heart and soul out of our town. If people choose **not** to rebuild, a downward economic cycle may form which will effect the whole town. Additionally, this could cause the BAL-FZ zone to creep closer to the centre of town as outskirt properties are abandoned.

4 Alternative Proposals

The diagram below outlines 3 options. The first option is the current proposal from the government and was presented at the Melbourne based community meeting Thursday 7 April 2016. Alternatively, options 2 & 3 suggests that rebalancing our priorities could result in better outcomes, a sustainable economy and a community with the heart and soul we've grown to love.

Figure 1 – The Government Proposal Versus some Alternatives

	Government Endorsed 1	Alternative Option 2	Alternative Option 3
Land Owner Veg Management (Blocks)	✓	✓	✓
Community Veg Management (APZ)		✓	✓
Community Refuge			✓
Telecommunication Upgrades			✓
Community Fire Planning			✓
BAL Construction Advisor		✓	
BAL Exemptions			✓
Estimated Cost to Landowners	\$18m - \$36m	\$9m - \$20m	\$7m - \$14m
Savings (A fraction of which is redirected to rates)	\$0m	\$9m - \$16m	\$11m - \$24m

Calculations for the above figures can be found in section 6

Option 1 is the current proposed option presented by the government. This option relies entirely on landowners managing their own BAL obligations and may cost up to 3 times more than other options.

We propose two alternative proposals (noted here as options 2 and 3). These options generate savings, a fraction of which could be spent to deliver equivalent or better outcomes to the whole community. They propose investing in **community based fire prevention measures** such as **vegetation thinning**, a **community safe refuge** and/or **telecommunications system upgrades**.

Option 2 involves thinning the vegetation around the town to create a defensible space which in turn will reduce everyone's BAL ratings and build costs. Some landowners will still have a higher BAL rating than those in the centre of town and therefore disproportionately higher build costs (up to 4 times more). However

this option will free up approximately \$8.8m to 16.3m of funds. A fraction of these funds could be redirected to result in better outcomes by investing in community based fire prevention measures.

Option 3 involves accepting that all properties should be protected from ember attack, have water tanks and provide safe access for CFA in the event of a fire. The crux of the concept is to provide BAL exemptions in exchange for mandatory investment in community based fire prevention measures. It solves the problem of unequal and unfair distribution of responsibility for community defence. It is based on the principle that in a BAL-FZ event, extra investment by landowners will return negligible improvements in safety or may not significantly reduce the number of houses lost. It frees up approximate \$11.4m to \$24.4m of landowner funds. A fraction of these funds could be redirected to result in better outcomes by investing in community based fire prevention measures.

5 Proposed Actions

Regardless of which option is pursued, we suggest the following actions could be undertaken. The result of these actions would provide the platform from which the community could make a better, more informed decision about our future.

1) The Terramatrix Terms of Reference be Expanded

a) BAL Assessment for the APZ Scenario

The current Terramatrix report considers reclassification of vegetation in the event of creating a defensible space across the entire community (APZ). However that report did not follow up with a BAL analysis. As a result we do not know if the outcome to BAL ratings would dramatically change if the APZ zone were realised.

b) BAL Assessment for Entire Community

Any other alternative to fire response will require the support of the entire town (such as options 2 and 3 proposed above). It is therefore imperative that a decision around the fire strategy is based on the costs and benefits to the entire town. We propose Terramatrix extend the analysis boundaries to include all properties in the Wye River and Separation Creek region.

2) The Government Re-assess their APZ Conclusion

The APZ proposal in the Terramatrix report was discounted on the basis of compulsory acquisition. Section 7.5.8 of the Terramatrix reports suggests this is not needed and says that a civil agreement with adjacent vacant landowner or fire notice pursuant to section 41 of the CFA Act 1958 mechanism can be used.

3) Appointment of an Economic Advisor to the Resilience Committee

We recommend that an economic advisor be appointed to the resilience committee, independently of government. This advisor could provide independent analysis to verify and expand upon the considerations put forward in this letter. This advisor should be paid so they can standby their analysis and recommendations. They should also have authority to attend meetings of the WyeSepConnect board and evaluate decisions made by that board on behalf of residents.

4) Appointment of a Building Construction Advisor to the One Stop Shop

We suggest that the council appoint a building construction advisor sufficiently qualified to answer the technical questions on how to satisfy the BAL requirements. An example of the types of questions to be answered is "will a BAL-40 windows with a BAL-40 shutter satisfy BAL-FZ requirements?"

5) Community Fire Safety Initiative Program

We recommend that a joint venture between the CFA and Wye River Progress Association be established to flesh and detail the terms of community based fire prevention measures that could be put in place. In exchange for reduced building costs, residents would be compelled to pay a small annual

levy (potentially as a special rates charge). The amount collected would determine this group's annual budget. We suggest the funding and mechanisms of those measures be detailed in a report to the community. Measures to be detailed include:

- a) **Community Safe Refuge** – a new building in Wye River or an upgrade to an existing building that can be used as a safe refuge.
- b) **Telecommunication Upgrades** – enhanced telecommunications to support the CFA fire ready applications and infrastructure, on the basis that up to date information in the community is critical to fire safety.
- c) **Vegetation Management in and Around the Town** – the Christmas fire has already thinned out the vegetation in some parts of this area – so the costs are not as high as they otherwise would be. If this approach is to be taken, we have a rare opportunity to do so today.
- d) **Community Fire Planning Programs** – every property in Wye River and all businesses supporting the holiday market should amend their fire plans if the community makes changes to their fire strategy. This would require engagement and education of local residents and businesses similar to that already conducted by the CFA and Council, but funded to ensure it is completed with a specified timeframe.

6 Analysis

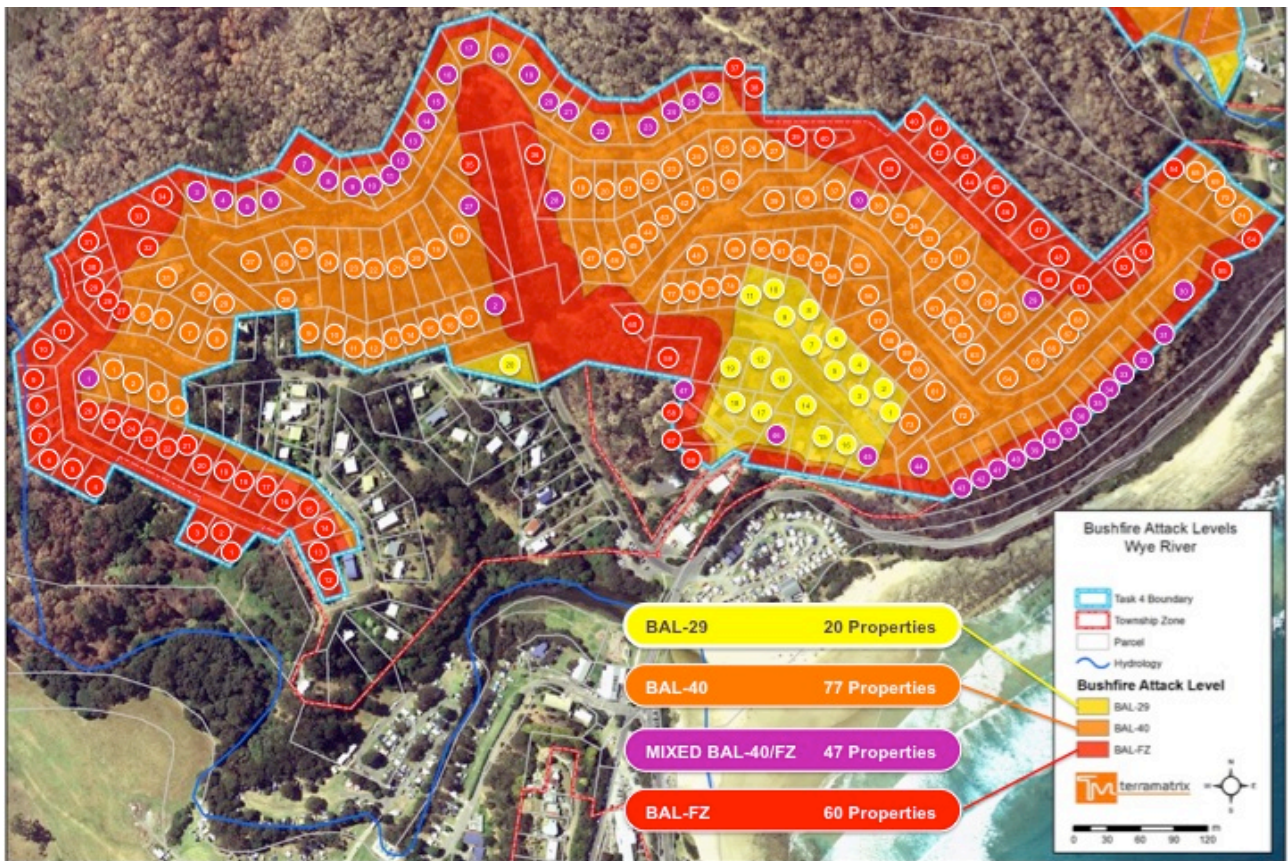
6.1 Option 1

Table 2 – Option 1 – Economic Estimates of BAL Ratings Proposed by Terramatrix Scenario 1 (Owner Vegetation Management)

BAL RATING	EXTRA COSTS TO BUILD ⁽¹⁾ MIN	EXTRA COSTS TO BUILD ⁽¹⁾ MAX	NUMBER OF AFFECTED PROPERTIES	ECONOMIC COSTS MIN	ECONOMIC COSTS MAX
BAL-FZ	\$100,000	\$200,000	72	\$7.2m	\$14.4m
BAL-40/FZ	\$75,000	\$150,000	71	\$5.3m	\$10.7m
BAL-40	\$50,000	\$100,000	98	\$4.9m	\$9.8m
BAL-29/40	\$35,000	\$75,000	0	\$0m	\$0m
BAL-29	\$25,000	\$50,000	32	\$0.8m	\$1.6m
Total Economic Cost to the Community			273	\$18.2m	\$36.5m

(1) Figures are based on industry standard references including Australian Institute of Quantity Surveyors (AIQS), fire consultant reports and quotes for our project. We propose that an independent entity invest in analysis from a credible economics firm to verify this modelling.

Figure 2 – Analysis of Terramatrix BAL Assessments for Wye River and Separation Creek



6.2 Option 2

Table 3 – Option 2 – Economic Estimates of BAL Ratings Proposed by Terramatrix Scenario 3
(APZ Vegetation Management)

BAL RATING	EXTRA COSTS TO BUILD ⁽¹⁾ MIN	EXTRA COSTS TO BUILD ⁽¹⁾ MAX	NUMBER OF AFFECTED PROPERTIES ⁽²⁾ ₍₃₎	ECONOMIC COSTS MIN	ECONOMIC COSTS MAX
BAL-FZ	\$100,000	\$200,000	0	\$0m	\$0m
BAL-40/FZ	\$75,000	\$150,000	0	\$0m	\$0m
BAL-40	\$50,000	\$100,000	72	\$3.6m	\$7.2m
BAL-29/40	\$35,000	\$75,000	71	\$2.5m	\$5.3m
BAL-29	\$25,000	\$50,000	130	\$3.3m	\$6.5m
Total Economic Cost to the Community			273	\$9.4m	\$20.2m
Total Savings compared to Option 1 ⁽⁴⁾				\$8.8m	\$16.3m

(1) Figures are based on industry standard references including Australian Institute of Quantity Surveyors (AIQS), fire consultant reports and quotes for our project. We propose that an independent entity invest in analysis from a credible economics firm to verify this modelling.

(2) Assumes the APZ vegetation (Terramatrix scenario 3) thinning results in each property being reduce by 1 level, that properties with mixtures of BAL-40/FZ properties are resolved to a BAL-29/40 combination, and that BAL-29 properties remain as BAL-29.

(3) We propose the Terramatrix terms of reference be amended to include an analysis of the BAL ratings resulting from APZ vegetation management (scenario 3).

(4) We propose that these funds could be redirected towards vegetation management, a community safe refuge, community fire planning and/or telecommunication upgrades.

6.3 Option 3

Table 4 – Option 3 – Economic Estimates of BAL Ratings Possible by a Community Approach
(BAL Exceptions offset by Community Fire Safety Initiatives)

BAL RATING	EXTRA COSTS TO BUILD ⁽¹⁾ MIN	EXTRA COSTS TO BUILD ⁽¹⁾ MAX	NUMBER OF AFFECTED PROPERTIES ^{(2) (3)}	ECONOMIC COSTS MIN	ECONOMIC COSTS MAX
BAL-FZ	\$100,000	\$200,000	0	\$0m	\$0m
BAL-40/FZ	\$75,000	\$150,000	0	\$0m	\$0m
BAL-40	\$50,000	\$100,000	0	\$0m	\$0m
BAL-29/40	\$35,000	\$75,000	0	\$2.5m	\$5.3m
BAL-29	\$25,000	\$50,000	273	\$6.8m	\$13.7m
Total Economic Cost to the Community			273	\$6.8m	\$13.7m
Total Savings compared to Option 1⁽⁴⁾				\$11.4m	\$24.4m

(1) Figures are based on industry standard references including Australian Institute of Quantity Surveyors (AIQS), fire consultant reports and quotes for our project. We propose that an independent entity invest in analysis from a credible economics firm to verify this modelling.

(2) Assumes that property BAL ratings are capped at BAL-29 (to protect from ember attack and provide onsite water and safe access for CFA). This is in exchange for a community based fire safety approach which includes vegetation management, a community safe refuge, community fire planning and/or telecommunication upgrades.

(3) We propose the Terramatrix terms of reference be amended to include an analysis of the BAL ratings resulting from APZ vegetation management (scenario 3) and provision of a community safe refuge.

(4) We propose that these funds could be redirected towards vegetation management, a community safe refuge, community fire planning and/or telecommunication upgrades.