

Queensland councils

## Roads to ruin: Serious questions about billions spent on recovery in Queensland

By Mark Solomons

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Jason Ward in a video shown to Emergency Management Australia in Canberra



**W**hen a group of federal emergency management officials gathered in 2018 to see a video and photographs of a road repair in a far north Queensland town, their reaction was one of shock.

The video shows anti-corruption activist Jason Ward carving chunks of bitumen from the road using a teaspoon. He crumbles the material between his fingers. He slides his arms effortlessly beneath the road surface and lifts it up like a bedsheet.

This was no ancient piece of blacktop. It was a new road, built with federal funds under an infrastructure repair scheme called the National Disaster Relief and Recovery Arrangements.

Australian taxpayers bankroll the rebuilding of roads, bridges and infrastructure after nature unleashes its worst — and because of Queensland’s natural disaster-prone climate it is by far the largest recipient of those funds. The program has delivered \$14 billion to Queensland since 2011 — 85 per cent of the funds distributed across the country. NSW and Victoria received a fraction of that: less than \$1 billion each.

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***“Wartime and disasters. There’s always someone ready to profiteer on the back of it.”***

ANU Transnational Research Institute on Corruption director Adam Masters

But whistleblowers, the Auditor-General and this investigation have revealed widespread rorting in the scheme. Millions of dollars have been spent on ineligible claims, council officials are alleged to have demanded bribes ranging from cash to beer, and there have been multiple examples of shoddy work.

People who have raised concerns say they are ignored, silenced or threatened. Nobody in authority so far has had the courage to act.

“Every local government loves a cyclone or a flood or something happening because it basically opens the coffers,” retired Labor MP and former police minister Jo-Ann Miller said.

“It’s totally a cash cow. Sports rorts is petty cash to government — it’s \$100 million. With NDRRA, you’re talking billions.”



Former Labor MP Jo-Ann Miller. CHRIS HYDE

Federal Emergency Management Minister David Littleproud said the federal government expected its state counterpart to ensure the funding was spent in accordance with NDRRA guidelines.

“If there are allegations of fraudulent activity, the federal government expects the Queensland government to investigate accordingly,” he said.

## **Taking the allegations to Canberra**

When Jason Ward took his video to Canberra, he did not go alone. With him was former local disaster response manager Lyn O’Connor, consultant Mick O’Sullivan, who represents quarry owners and road contractors, and a whistleblower from the Queensland government. They wanted Emergency Management Australia - part of the Home Affairs department - to pay attention to what they said was a decade of systemic failure.

The public servants, including Emergency Management Australia director-general Rob Cameron, watched the video, which was shot in 2017 on the Atherton Tablelands, about 50 kilometres south-west of Cairns.

The crumbling road was only a few months old. Its federally-funded “repair” by private contractors working for the local council had not only been unnecessary - there had been no disaster in the area - it had transformed a perfectly good sealed road into a traffic hazard.

It was just one example of systemic rorting, fraud or mismanagement involving disaster relief funding in Queensland, the delegation said.

Critics say two key faults are built into the way the natural disaster grants are administered: in one, work is commissioned and carried out at sites where there is no damage; in the other, work is deliberately performed to a poor standard because it allows councils to apply for more federal funding to “fix” it again.



Road damage from Cyclone Yasi in Cardwell, far north Queensland, in 2011. RICK RYCROFT/AP

Emergency Management Australia did not comprehensively follow up what it had seen. It did not closely examine other examples of shoddy workmanship highlighted in the delegates’ dossier by asking the delegates follow-up questions.

Instead, almost a year later, the federal agency enlisted consulting firm PwC to review a single package of works in one council area — Central Highlands. Critics say problems have been identified across several council districts, including Atherton Tablelands, Lockyer Valley, Ipswich, Charters Towers as well as Central Highlands.

A redacted version of the six-page PwC report, obtained under Freedom of Information, found “no ineligible expenditure” by the federal government in the area.

O’Sullivan said he and his clients, who had detailed knowledge of what happened on the ground, were not contacted.

“They have purely gone by what the council has said, which to me seems very odd,” he said.

After lodging complaints with local and state government authorities about the program, O’Sullivan said he “didn’t know where to go to next. We’ve just been belting our head against a brick wall”.

Under the NDRRA system, rebadged in 2018 as the Disaster Recovery Funding Arrangements, the federal government reimburses up to 75 per cent of eligible infrastructure. Roads and bridges are restored to pre-disaster conditions almost invariably in a “like for like” arrangement which critics say means they are never actually upgraded.

Administration and oversight of the scheme is provided by a state government body, the Queensland Reconstruction Authority.

Since 2011, \$5.5 billion of the \$14 billion in grants has gone to councils and the rest to state agencies. The reconstruction authority relies on information provided by councils on how the money was spent.

A spokesperson for the Queensland Reconstruction Authority said the QRA had “rigorous processes in place to administer disaster funding and maintains strong oversight of works programs undertaken by councils”.

“QRA works closely with Emergency Management Australia to ensure the jointly funded Natural Disaster Relief and Recovery Arrangements and Disaster Recovery Funding Arrangements programs represent the best possible value for money for taxpayer dollars and that stringent governance is in place.”

While a spokesman from the reconstruction authority said no council had been required to repay a grant because of fraudulent activity in the decade since it had been set up, contractors and council staff had been jailed for fraud involving federal grants.

In 2015, the Australian National Audit Office and Productivity Commission warned in separate, scathing reports of false claims, short-termism, political opportunism and fundamental failures of oversight.

The commission found “groundhog day anecdotes abound” involving infrastructure repeatedly damaged by even low-intensity rain because the system made it too hard to invest in the so-called “betterment” of assets. The program also encouraged “excessive expenditure on activities that are eligible for reimbursement”.

## **Disaster Grants: The carve-up**

Queensland receives almost nine in every \$10 distributed under Natural Disaster Relief and Recovery Arrangements from 2011-2019.

*Source: Commonwealth Budget Papers.*

The commission recommended a shake-up including fixed funding for states and a focus on improving infrastructure to withstand future natural disasters. None of the recommendations was adopted.

The audit office concluded Emergency Management Australia placed too much reliance on states to vet and sign off on claims, which resulted in “millions of dollars of ineligible claims being reimbursed to the states at the Commonwealth’s expense”.

Even so, the federal agency had “been reluctant to accept criticism of its approaches,” the auditor said.

## **‘Absolute rorts’**

In the wake of the damning reports, the Turnbull government withheld \$1 billion in grants claimed by Queensland in 2016, pending a complete audit. The former prime minister’s office did not respond to a request for comment.

The Palaszczuk government at the time claimed disaster victims had been let down by the federal government, and then-deputy premier and infrastructure minister Jackie Trad accused the federal government of an “outrageous delay for spurious reasons” and warned of “delays to reconstruction”. The money was released.

Long-serving Labor and LNP MPs say all levels of government turned a blind eye to the waste of money because the cash went to the regions and the political cost of reining in the spending was too high.

“NDRRA money is absolutely rorted in this state,” Jo-Ann Miller said, “but if anyone brought it up as an issue you were shut down and told to shut your mouth ... There’s a reason for that ... once you lift the lid off the NDRRA money ... you know it’s going to blow the place up.”

Ian Rickuss, the former LNP state member for Lockyer, said: “They’re not overly worried because the feds are paying 75 per cent and the feds don’t really have enough people on the ground to see what’s going on.”

Rickuss said he had repeatedly tried to raise concerns in Parliament, including a story of “deception, roguery and downright dishonesty” involving one contractor, undischarged bankrupt Paul Joseph Morrison.



Former LNP MP Ian Rickuss.

Morrison was later given a three-year jail sentence after pleading guilty to fraud involving \$70,000 of NDRRA funds. The money was never returned.

Miller said the lack of public discussion was dangerous.

“It’s that culture of silence where corruption always takes a foothold. It’s like: ‘oh well, you might have made a few hundred thousand on this job, shut the f--- up,’” she said.

Adam Masters, the director of the Transnational Research Institute on Corruption at Australian National University, said a shrinking federal bureaucracy left fewer public servants to oversee how taxpayers’ money was spent.

“The people who you trust with this money [once it’s distributed] are the people who know the systems inside-out and if they’ve built a little back door and set up their own company and they’re funnelling \$20,000 a month into that, it just rolls and nobody sees anything unusual,” he said.

“The smart ones get away with this.”

And councils have no incentive to crack down, either.

Cook Shire in the state’s far north received \$235 million via the disaster recovery scheme from 2011 to 2019 – more than 10 times the amount it raised in general rates over the same period, an analysis of Queensland Reconstruction Authority and local government budgets shows.

In the south-east, Lockyer Valley Regional Council received \$233 million in the same period and neighbouring Toowoomba Regional Council took in \$217 million.

## Beer and bribes

When a Central Highlands council foreman visited Dave Reddiex's quarry in 2015 to talk about gravel supply, Reddiex's company was already working on the job.

But the foreman had an ultimatum to deliver: "If we wanted to continue the next day, I had to give him a carton of beer," Reddiex said.

The quarry owner did not take it seriously but made it clear he couldn't be bought, saying: "I'll give you a carton of beer any day of the week but I'm not going to give you a carton of beer for the job."

He was told not to bother coming back to the council job the next day.

Reddiex complained to Central Highlands Regional Council's then director of infrastructure, Jason Akers, who referred him to a local manager. A couple of months later, that manager and the foreman visited the quarry and told Reddiex there was another job for him near the town of Dingo, but he had to pay them \$500 to win it.



Central Highlands quarry owner Dave Reddiex.

"That was their exact words, 'for \$500 you can have that job'," Reddiex said. He refused and missed out on the work.

"I used to do \$1.9 million a year with the council," Reddiex said. "I made the complaint and from the next year it was \$190,000. From then on, I haven't done a cent with them."



In the same year, local civil engineering contractor James Speed said he had also lost out when he bid for a \$20 million package of roadworks involving more than 2000 sites in Central Highlands. The job was done badly by another contractor after its standard was changed, and Speed was forced to fix up the mess.

He and other losing contractors pressured the council to order an independent audit of the works, which largely vindicated their claims.

The audit report, obtained by *Brisbane Times*, revealed unexplained relaxations of contract requirements by the council across the board, materials tests that were missing or impossible to verify and roads left in a substandard condition.

One of the three successful bidders' records were incomplete, "do not provide an acceptable level of traceability of quality records and were difficult to follow".

This was the work that Emergency Management Australia enlisted consulting firm PwC to review.

Central Highlands Regional Council's current chief executive, Scott Mason (whose tenure commenced after the alleged rorting), said there had been "no indication of fraudulent activity in the administration and management of post-disaster public works against the NDRRA".

And the council "understands that the auditors appointed by EMA dealt directly with council without any communication with specific contracting companies".

After he was shown the PwC report, another unsuccessful local contractor, Peter Lane, described the document as "bullshit".



Central Highlands quarry owner Peter Lane.

“That’s not an investigation,” the Central Highlands quarry owner said.

Akers, who oversaw all the NDRRA-funded roadworks for the council and dealt with the bribery complaint by Reddiex, was jailed in 2019 for embezzling \$220,000 of NDRRA funds from the council in 2010 and 2011 after an investigation by Queensland’s Crime and Corruption Commission.

The corruption watchdog was acting on information passed on by council officials, including a former Victoria Police officer hired by the council as an investigator and compliance officer.

In late 2015, the investigator handed a confidential report covering a range of NDRRA issues to the council. Shortly afterwards, the mailbox outside the investigator’s home in Emerald, about 240 kilometres west of Rockhampton, blew up.

“Scared the bejesus out of me,” a resident of the street said.

The investigator quit a few months later.

Council insiders, who requested anonymity because they were revealing confidential information, said the investigator had found questionable invoices dating back years and this evidence had been passed on to the Crime and Corruption Commission.

They said documents showed the real amount involved was at least double the \$220,000 figure that later emerged in prosecution of Akers. The rorts had gone on for much longer, and others had also been implicated. It was not possible to know who was responsible for the mailbox explosion.

“It wasn’t a little bit more, we are talking hundreds of thousands more,” one senior council insider with direct knowledge of the investigation said. “It wasn’t about one person, it was about a whole heap of people and activities. It’s not like the CCC didn’t have the information, they were given it.”

The Crime and Corruption Commission said it had found “insufficient evidence to commence any criminal action” other than against Akers.

The Queensland Reconstruction Authority said it had provided all information requested by Emergency Management Australia in its review of work in Central Highlands and “at no stage was the QRA under investigation”. It said it had received a letter from Home Affairs in December 2019 that “advised there was no fraudulent activity”.

The review would prompt “minor clarifications” to its next set of guidelines, the authority said.

In its review of the Central Highlands works, PwC recommended Emergency Management Australia find out if the money embezzled by Akers involved NDRRA

funds, with a view to getting the Queensland Reconstruction Authority to reimburse it to the Commonwealth.

Emergency Management Australia declined to answer questions about whether it had followed this recommendation, citing confidential Commonwealth-state relations.

But the Queensland Reconstruction Authority said it had “pursued reimbursement of the ineligible funding from Central Highlands Regional Council and, as agreed with EMA, will be finalising the matter as part of the 2021 claim to the Commonwealth”.

It will be the first time that federal funds have been recovered in this way.

### **Charters Towers: the missing \$1.2 million**

In the north Queensland town of Charters Towers, former senior council field supervisor Garry Stover said he had repeatedly complained to managers about shoddy work under the disaster relief scheme.

He also flagged irregularities where a few favoured firms regularly won contracts without tenders and were allowed to oversee their own work.

In 2012, the council sacked him.

Stover said that, as part of his work for the council, he had inspected planned roadworks outside Townsville and received word from the office that the job had been completed. But he was on the road in question when he received the call and could see no evidence that work had started.

“There was \$1.2 million given to us for the road and it was never spent on that road,” Stover said.



The main street of Charters Towers. BRODIE OWEN

He also alleged his boss, infrastructure director Rohana Samarasekera, had later tried to involve him in a kickback scheme involving contractors making payments to officials to win contracts.

“I said, ‘Look, I’m not interested’... and I said, ‘I’ve got a young family, I don’t want to get involved in that stuff’. And from that day onwards, they just cruelled me, until they got rid of me.”

Samarasekera, a former police officer, was charged with accepting a secret commission as an agent while working at a subsequent job at Etheridge Shire Council and pleaded guilty to the offence this year in the District Court at Cairns. He is due to be sentenced on March 29.

Charters Towers Regional Council confirmed it had contacted Stover six years after his sacking, in 2018, at the prompting of then-mayor Liz Schmidt. He made “allegations of fraud and corruption from some years earlier” under a previous administration.

However, his allegations were “not progressed any further,” the council said, because “no written complaint” had been received.

Local contractor Ian Stockwell said he tried in vain for years to tender for NDRRA-funded work, but lost out to contractors who were already working at full capacity, meaning the completion of work was delayed by months.

Of the little work he had won, Stockwell said council officers prevented him from completing the jobs to the standard that he wanted.

“They don’t want a concrete causeway, they don’t want a bit of bitumen, they don’t want a hill cut down, they don’t want to do anything well, because we won’t

get so much work next year,” Stockwell said.

Civil engineering consultant Chris Lonergan, who has handled tens of millions of dollars’ worth of NDRRA-funded work for councils over the past decade, said he “walked away from Charters Towers many years ago because of things I could see getting done”.

“Charters Towers is a very special beast,” he said.

### **Ipswich: ‘Money was never used properly to actually fix issues’**

Jo-Ann Miller represented the Ipswich electorate of Bundamba, about 30 kilometres west of Brisbane, for 20 years until she quit politics in 2020.

She said roads in the Ipswich council area that had escaped damage in the 2011 floods had been improved using disaster grants earmarked for entirely different roads - those in flood-affected areas, including her electorate.



The water rising in Ipswich during the 2011 flood. JASON SOUTH

“A lot of council employees across the state over the years have told me that that money was never used properly to actually fix issues directly related to the disasters ... Some of the money was diverted to areas that were not affected by, say, floods, to do normal council work,” she said.

“That happened in Ipswich. The money should have been used to repair roads in Ipswich right down in Goodna and Redbank and Bundamba but a lot of the roads were upgraded in Redbank Plains, which is nowhere near the flood area.”

Anti-corruption specialist Dr Masters warned government financial responses to crises created opportunities for graft and exploitation.

“It’s well recognised that when there’s a disaster and all the stops are pulled out, you get organised crime, fraud and corruption just following,” he said. “We’re seeing it with COVID-19 at the moment.

“Wartime and disasters. There’s always someone ready to profiteer on the back of it.”



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