



NATURAL DISASTERS TO COST AUSTRALIA \$33 BILLION PER YEAR BY 2050

The total annual cost of natural disasters in Australia is expected to increase from \$9 billion to \$33 billion by 2050, according to two reports launched today by the Australian Business Roundtable for Disaster Resilience & Safer Communities (the Roundtable).

The reports, *The Economic Cost of the Social Impact of Natural Disasters*, and *Building Resilient Infrastructure*, deliver the first economic analysis of the social impact of natural disasters, and the benefits of ensuring infrastructure assets are more resilient to extreme weather events. They build on the previous work of the Roundtable to call for a better way to prepare for natural disasters.

Speaking on behalf of the Roundtable, IAG Managing Director and CEO Peter Harmer said the two new reports, prepared by Deloitte Access Economics, reveal that social devastation and the impacts to infrastructure can be the longest lasting and most significant consequences of natural disasters.

“The reports show the long-term cost of the social impact of natural disasters on our communities and economy, and the benefits of embedding resilience into planning decisions for critical infrastructure. We need to do more to help our communities prepare for and recover from disasters. Sadly the devastation of bushfires, flood and earthquakes on our communities can last for years, if not decades,” Mr Harmer said.

Including the economic costs of the social impact of natural disasters

Australian Red Cross Director of Australian Services, Noel Clement, said the framework developed in *The Economic Cost of the Social Impact of Natural Disasters* revealed the true cost of natural disasters was at least 50% greater than previously estimated.

“This report is the first time that analysis into the economic cost of the social impacts of natural disasters has been conducted, filling a critical gap in the research on the medium and long-term impact of disasters on our communities,” he said.

The report found that when social impacts such as mental health issues, family violence, chronic disease and alcohol misuse, are included, the total cost of natural disasters would average \$33 billion per year in real terms by 2050.

“Deloitte’s modelling showed that last year’s spate of natural disasters left a damage bill of more than \$9 billion, which was about 0.6% of our Gross Domestic Product (GDP), and this is expected to double by 2030,” he said.

“Governments, business and communities need to work together to address the medium and long-term social impacts of natural disasters through further investment and research into community resilience programs.”



Highlighting three specific case studies from differing regions and periods – the 2010-2011 Queensland floods, the 2009 Victoria Black Saturday bushfires and the 1989 Newcastle earthquake – the report estimates social costs are at least as much as, if not higher than, tangible costs such as the destruction of property.

Building Resilient Infrastructure

The *Building Resilient Infrastructure* report found that \$17 billion will need to be spent on the direct replacement of critical infrastructure such as roads, railways and hospitals up to 2050, as a result of natural disaster events.

Optus Chairman Paul O’Sullivan said: “Optus is a major investor in infrastructure with more than \$1 billion spent annually over the past 10 years and around \$1.8 billion this year.

“As we have undertaken our own climate change review, it is clear that there is a need for stronger central coordination across government and other infrastructure providers, and an opportunity to embed resilience into government policy and planning activities. The report issues practical guidelines to address this.”

The report provides guidance and a set of principles for government and business to integrate disaster resilience in infrastructure planning, appraisal and approval processes.

Mr O’Sullivan said the recommendations were timely as total spending on infrastructure in Australia between now and 2050 is projected to reach approximately \$1.1 trillion.

Key findings and recommendations

The Economic Cost of the Social Impact of Natural Disasters

Key findings:

- The true cost of natural disasters is at least 50% greater than previously estimated when social costs are incorporated.
- When both financial and social costs are included, it is estimated the total cost of natural disasters in Australia in 2015 exceeded \$9 billion, or 0.6% of GDP. This is expected to double by 2030 and to reach an average of \$33 billion per year by 2050.

Report recommendations:

- Pre and post-disaster funding should better reflect the long-term nature of social impacts.
- A collaborative approach involving government, business, not for profits and community is needed to address the medium and long-term economic cost of the social impact of natural disasters.
- Governments, businesses and communities need to further invest in community resilience programs that drive learning and sustained behaviour change.
- Further research must be done into ways of quantifying the medium and long-term costs of the social impacts of natural disasters.



Building Resilient Infrastructure

Key findings:

- More than \$450 million was spent by Australian governments each financial year on restoring essential public infrastructure assets following extreme weather events between 2002-03 and 2010-11. This equates to about 1.6% of total public infrastructure spending.
- \$17 billion (in net present value terms) will need to be spent on the direct replacement costs of essential infrastructure impacted by natural disasters between 2015 and 2050.
- Total spending on infrastructure between now and 2050 in Australia is projected to reach approximately \$1.1 trillion.

Report recommendations:

- Infrastructure planning processes to be improved to integrate resilience in government and industry decision making by adopting the principles for resilience.
- Improve incentives through policy change and funding arrangements that ensure disaster resilience has been considered and incorporated, where appropriate, into infrastructure planning.
- Invest to strengthen the technical capacity of practitioners to identify, analyse and evaluate the costs and benefits of resilience options.

About the Australian Business Roundtable for Disaster Resilience & Safer Communities

The Australian Business Roundtable for Disaster Resilience & Safer Communities was formed in 2012 to influence public policy via evidence-based reporting on the unsustainable cost of disasters on life, property and the economy.

The Roundtable members are the Chief Executive Officers of the Australian Red Cross, IAG, Investa Office, Munich Re, Optus and Westpac.

Members of the Roundtable champion the need for a sustainable, coordinated national approach to make communities more resilient and people safer. They believe that national investment in disaster resilience and preventative activities is the most effective way to protect communities and reduce the impact of disasters.

For more information please go to our website: <http://australianbusinessroundtable.com.au/>

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AUSTRALIAN RED CROSS, Director of Australian Services, Noel Clement

“More than 20 communities like Yarloop in WA and Wye River in Victoria have suffered the devastating impacts of disasters in the short period since October 2015. We’ve all seen the physical impacts of these events on news feeds; lost homes, public infrastructure damage and scarred landscapes. But what’s often less evident is the social impact. The release of this report clearly and persuasively demonstrates the devastating, complex and long term social impacts of disasters, that communities like Yarloop, Wye River and many others are now facing as they work to re-build and recover.”



IAG, Managing Director & Chief Executive Officer, Peter Harmer

“We have a social obligation to do more to help people and communities feel safer and to recover more quickly from natural disasters. And it’s in the national interest for government and businesses to work together with our communities to achieve this by focusing more on prevention. This means investing more upfront in openly sharing data, building resilient infrastructure and creating stronger and better-prepared communities.”



INVESTA, Chief Executive Officer Investa Office, Jonathan Callaghan

“To build resilient cities, we need resilient public infrastructure, designed to withstand major events and recover quickly. To achieve this, we need a practical and embedded process for ensuring our infrastructure is capable of withstanding and recovering from these events. We are calling for clear leadership from all levels of government, to work with us to build resilient cities, which minimise the total impact of natural disasters and empower us to keep the lights on.”



MUNICH RE, Chief Executive Officer, Heinrich Eder

“From a global perspective the risk from natural disasters in Australia is extremely high, especially from weather related events such as cyclones, drought and rain & hail storms. This is why building resilience is so important to all Australians. The new normal is to expect the unexpected. We know storms are becoming more frequent and big population centres like Brisbane face new and heightened risks.”



OPTUS, Chairman, Paul O’Sullivan

“Optus invests heavily in our network infrastructure to provide essential services to Australians. Through our experience in managing the impact of recent natural disasters and the insights from the Australian Business Roundtable research, Optus is continually strengthening resilience in our network. We recognise the importance of keeping customers connected always, especially in times of natural disasters when people need to connect to emergency services, their families and communities for support.”



WESTPAC, Managing Director & Chief Executive Officer, Brian Hartzer

“If Australia is to maintain a strong economy, we must improve the resilience of our communities to the inevitable natural disasters we face. Designing more resilient physical infrastructure is one thing. But equally important is how we address the less visible, more intangible social impacts – both before and after the debris is cleared. The evidence is clear. If we ignore this side of the equation, the economic costs will only escalate.”