# CEO statement

Critical infrastructure is highly vulnerable to, and a major casualty of, natural disasters. Repairing or replacing infrastructure assets after a disaster is often difficult and costly, which can exacerbate the suffering of affected communities.

This report looks at the costs of repairing and replacing critical infrastructure and what should be done to ensure infrastructure is more resilient to bushfires, floods, storms, cyclones and other natural disasters.

This is the third report prepared for the *Australian Business Roundtable for Disaster Resilience & Safer Communities* by Deloitte Access *Economics.*

The Roundtable's first report, released in 2013, looked at the financial costs of extreme weather events in Australia and the dramatic growth in anticipated costs to 2050. We found that carefully targeted investment in resilience measures now will reduce Australian Government expenditure on natural disaster relief and recovery by more than 50% by 2050. We also found that in 2015 the total economic cost of natural disaster events in Australia exceeded $9 billion, or about 0.6% of gross domestic product. These costs are expected to rise to an average of $33 billion per year by 2050*.

Between 2002-03 and 2010-11, more than $450 million was spent each year by Australian governments to restore critical infrastructure after extreme weather events. This equates to about 1.6% of total public infrastructure spending. In addition, it is estimated that $17 billion (in net present value terms) will be needed to directly replace critical infrastructure between 2015 and 2050 due to the impact of natural disasters.

A total of $1.1 trillion will be spent on critical infrastructure between now and 2050. Resilient infrastructure will play a crucial role in helping communities to withstand, respond to and recover from the potentially devastating impact of natural disasters in Australia.

Despite this, the report finds only limited reference to resilience in the cost-benefit analysis guidelines applicable to infrastructure project appraisals. It is concerning that there is currently no requirement for government or the private sector to consider resilience when making investment decisions, nor are there best practice principles to encourage its consideration.

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Embedding resilience into the planning process for critical infrastructure could prevent unnecessary disruption and generate significant reductions in disaster costs.

This report makes a strong case for greater consideration of, and investment in, resilience. It is not just governments that need to consider resilience in infrastructure planning but the private sector too. Both can reduce disaster-related costs by following guidance and principles for infrastructure resilience planning and by incorporating these into their long-term operations.

This report joins calls from the Productivity Commission and Infrastructure Australia to improve the resilience of infrastructure assets. Mitigating disaster risk should be a priority for both existing and future assets. This report offers guidance and principles for infrastructure planners and decision makers to embed resilience in their projects.

We urge the Australian Government to take the lead and ensure disaster resilience is considered in the cost benefit criteria for all public infrastructure funding decisions.

Further, we urge all levels of government and industry to embed disaster resilience into the planning, design, funding and delivery of infrastructure projects.

Improving the resilience of our infrastructure assets will reduce the costs and impact of natural disasters and lead to a safer and more resilient Australia. As such, it should be a priority for governments, communities and the private sector.

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Director of Australian Services
*Australian Red Cross*

Australian Red Cross
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OPTUS yes

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**The Economic Cost of the Social Impact of Natural Disasters (2016)*