

Appendix B:

Productivity Commission Inquiry into National Disaster Funding

Following the June 2013 release of the Roundtable's white paper, *Building our Nation's Resilience to Natural Disasters*, the Australian Government asked the Productivity Commission to inquire into the efficacy of national natural disaster funding arrangements and take into account the high priority of effective mitigation. The Commission received the terms of reference on 28 April 2014, and published the final report on 17 December 2014. This appendix provides a summary of the key findings and recommendations.

- The current funding arrangements for natural disasters are inefficient, inequitable and unsustainable, prone to cost-shifting, ad hoc responses and short-term political opportunism
- Expenditure on mitigation, across all levels of government, is likely to be below the optimal level, given the biased incentives towards recovery under current budget treatments and funding arrangements
- Governments make decisions about natural disaster risk management without full information on potential consequences, due to the budget treatment of natural disaster costs as an unquantified contingent liability
- While information on natural disaster hazards and exposure has improved significantly in recent years, there is scope for greater coordination and prioritisation of natural hazard research across government and research institutions.

The Productivity Commission made 22 recommendations to achieve a more sustainable balance of natural disaster mitigation, relief and recovery expenditure. This included calls for:

- Amendments to cost-sharing arrangements for natural disaster recovery, including the funding for the 'betterment' component of reconstruction costs after disasters
- Gradual increases in the amount of annual mitigation funding. Australian Government mitigation funding to states should increase to \$200 million a year and be matched by the states
 - This recommendation supports a recommendation from the Roundtable's report, *Building our Nation's Resilience to Natural Disasters*, which called for a commitment by all levels of government to long-term annual consolidated funding for pre-disaster resilience

- Improved recognition of natural disaster liabilities in government budgets
- Governments at all levels to make natural hazard data publicly available in accordance with open public sector information principles
- Exploration of partnerships and collaboration on natural hazard risk information, between state and territory governments, local governments and insurers
- Development of guidelines for the collection and dissemination of natural hazard mapping, modelling and metadata
 - This recommendation supports a recommendation from the Roundtable's report, *Building an Open Platform for Natural Disaster Resilience Decisions*, which called for the creation of a national data platform for foundational data, and the removal of barriers to accessing it
- Prioritising and accelerating the implementation of the *Enhancing Disaster Resilience in the Built Environment Roadmap* by state and territory governments
- Provision of statutory protection of local governments from liability for releasing natural hazard information and making changes to local planning schemes in good faith
- Best-practice institutional and governance arrangements for the provision of public infrastructure, including stronger processes for project selection that incorporate requirements for cost-benefit analyses that are independently scrutinised and publicly released, and consideration of natural disaster risk in project selection and asset management planning
- Development of a formula for allocating mitigation funding based on where such funding is likely to achieve the greatest net benefits.

The Australian Government has not yet formally responded to these recommendations.