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National Disaster Funding Arrangements

Productivity Commission

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Productivity Commission Inquiry Draft Report - Natural Disaster Funding Arrangements

The [Australian Business Roundtable for Disaster Resilience and Safer Communities](#) welcomes the opportunity to make a submission to the Productivity Commission's Inquiry Draft Report - National Disaster Funding Arrangements.

The [Australian Business Roundtable for Disaster Resilience and Safer Communities](#) was formed by the Chief Executive Officers of: Australian Red Cross, Insurance Australia Group, Investa Property Group, Munich Re, Optus and Westpac Group. The CEO's created the Business Roundtable as all believe having resilient communities that can adapt to extreme weather events and natural perils to be of national importance.

Importantly, the Productivity Commission's *Draft Report* recognises the current government natural disaster funding arrangements are not efficient, equitable or sustainable. The *Draft Report* notes:

- current funding arrangements are prone to cost shifting, ad hoc responses and short-term political opportunism;
- governments generally overinvest in post-disaster reconstruction, and underinvest in mitigation that would limit the impact of natural disasters in the first place. As such, natural disaster costs have become a growing, unfunded liability for governments, especially the Australian Government; and
- governments have a role in providing emergency relief payments to individuals who have been seriously affected by natural disasters, to avoid immediate economic and social hardship. Reducing duplication, inconsistency, inequity and inefficiency in the provision of such relief is needed;

The Business Roundtable welcomes the Productivity Commission recommendation for the Australian Government to increase its funding to State and Territory Governments for mitigation to \$200 million. The Business Roundtable also welcomes the *Draft Report* recommendations that increased mitigation funding should be conditional on matched funding contributions from the states and territories and best-practice institutional and governance arrangements for identifying and selecting mitigation projects.



The Business Roundtable's commissioned White Paper (2013) *'Building our Nation's Resilience to Natural Disasters'* estimated that natural disasters cost the Australian economy \$6.3 billion per year and forecast costs to rise to \$23 billion annually by 2050. The research also demonstrated that carefully targeted resilience investments of \$250 million per annum have the potential to generate budget savings of \$12.2 billion for all levels of government and would reduce natural disaster costs by more than 50% by 2050. Considering the increase in natural disaster costs forecast over the period to 2050, it is anticipated that governments will eventually face an annual cost of around \$2.3 billion in real terms.

The Business Roundtable's commissioned White Paper (2013) also noted a program of mitigation activity should be developed based on cost-benefit analysis that demonstrates a clear positive outcome from investing in pre-disaster resilience measures, including a program of community education activities. Prioritisation of these activities should be informed by analysis of research, information and data sets allowing key investment decisions to be taken at all levels, including government incentives and price signals from the private sector. Importantly, the Productivity Commission's *Draft Report* notes information is critical to understanding and managing natural disaster risk. Information on hazards and risk exposure has improved significantly in recent years, but there are opportunities to improve its consistency, sharing and communication.

The Business Roundtable believes the key to better understanding impacts of natural perils is the availability of accurate, current data and relevant research. Yet, crucial natural disaster information is difficult and costly to access, often incomplete or out of date and frequently duplicated across sources.

Through the research set out in the Business Roundtable's commissioned Report (2014) *'Building an Open Platform for Natural Disaster Resilience Decisions'* we show that a fresh approach to the collation, co-ordination and analysis of natural disaster information and research is fundamental to the prioritisation of mitigation decisions that will help strengthen and safeguard our communities. In this paper, the Business Roundtable called for:

Efficient and open - deliver a national platform for foundational data

Given that foundational data is used for a broad range of purposes, beyond the scope of natural disaster issues, the Australian Government should provide a single point of access for all Australians. While weather information and data on community demographics is consistently provided by the Bureau of Meteorology and the Australian Bureau of Statistics respectively, allocation of responsibility for consistent topography and geocoded asset data at the national level is required. A national platform for this broader key data provided in a consistent format through a single access mechanism would facilitate the centralisation of data assets generated across local governments and state borders for the national interest. Furthermore, this would provide a platform for the accelerated development of information products and services that would enable Australian organisations and individuals to build increased resilience against natural disasters.



Transparent and available - remove barriers to accessibility of data and research

Access to data and research is restricted. Greater transparency across the system is required to identify the full range of end users and allow for the development of a system of optimal access which weighs up overall costs and benefits. There is a need for clear delegation of responsibility for hazard and impact data (such as hazard mapping) and a stronger approach for involving end users in research. This should also address concerns with legal liability, unnecessarily restrictive licensing and ensure standardisation across jurisdictions.

Enabling effective decision-making - establish a prioritisation framework

A national prioritisation framework for investment in resilience should be established, consistent with the approach adopted by Infrastructure Australia. This will enable best practice use of natural hazard data and research to be collected and disseminated and ensure an optimal outcome from investment in resilience for Australia, through focus on consistent, evidence-based cost-benefit analyses. This approach would build a common understanding of the nation's areas of highest risk and also the most effective measures to reduce that risk and assist in prioritising the research agenda.

Consistent with the recommendations of *'Building our Nation's Resilience to Natural Disasters'*, improving research and data should form part of the roles and responsibilities of a National Resilience Advisor within the Department of Prime Minister and Cabinet, concentrating on the achievement of three key objectives of transparency, collaboration and effective prioritisation.

A National Response is Needed

The Business Roundtable welcomes the observation in the *Draft Report* "Guidelines for information collection, such as for hazard modelling, mapping and 'metadata', would improve the consistency of hazard information. Guidelines would also help local governments establish confidence in securing and using the information that they need to carry out their responsibilities, including politically difficult land use planning.

The guidelines should incorporate sufficient flexibility to allow for different user needs and objectives. Such guidelines could be developed at either the state or national level. Work on such guidelines for flood mapping is already underway by Geoscience Australia and the Attorney-General's Department. If this project is beneficial, it could be extended to other natural hazards."

However, the Business Roundtable is disappointed that the Productivity Commission's *Draft Report* noted that "there is no compelling case in the evidence so far for establishing a national 'clearing house' for natural hazard data". Natural disasters like floods, cyclones and bushfires do not stop at State borders. A nationally coordinated approach is therefore critical to natural disaster management. The Australian Government has a key



role to play as a leader, policy-maker, legislator and funder to address national disaster arrangements. The coordination and dissemination of natural hazard information should be a core role for the Australian Government.

As outlined in *'Building our Nation's Resilience to Natural Disasters'*, the responsibility for the provision of risk information in an accessible and usable way lies primarily with government. Natural disaster information has some public good characteristics. The use of information by one party does not impact its availability for use by others, but it is excludable. Overall, it has positive externalities, and is therefore classified as a merit good. Accordingly, the net benefits associated with producing information on natural hazards and resilience measures will increase as wider distribution is promoted.

The shift to a shared platform culture requires strong national leadership at the government-wide and agency levels. A national platform for natural hazard data would improve the quality, availability and accessibility of information in Australia. This would, in turn, create opportunities to convert natural hazard data into useful information that improves the communication of natural hazard risks to better inform decision-making and research in a wide range of areas, including emergency management, land-use planning and insurance. Much of the information needed to address natural hazards understanding is common across many sectors. It is efficient to coordinate the production and dissemination of this information centrally to ensure consistency both in the format and access mechanism of data and avoid duplicated effort across jurisdictions and industry sectors. Furthermore, this will facilitate the development of services to transform this data into information and services that directly help Australian organisations and individuals build resilience against natural hazards.

The Business Roundtable agrees with the Council of Australia Governments (COAG) National Adaptation Priorities (2013) which state:

"...The Australian Government is well placed to generate and coordinate most of the important public good science and other information that will be needed. Much of this information is too costly for individual businesses, groups or local governments to generate for use in adaptation planning." (page 4).

The Treasury in their submission to the Productivity Commission Inquiry also noted:

"Government can have a role in collecting evidence and providing information to assist consumers and businesses to understand and manage their risks".(page 13).

Moreover, the Bushfire & Natural Hazards CRC submission to the Productivity Commission Inquiry recommended:

"...that a national data management infrastructure be established, to enable access to consistently interpreted, long-term data that will support research, policy and analyses.

The development of this infrastructure will require exploration and development of data models and information management systems, development of meta-data, definition of supporting practices, capture, storage, processing and delivery mechanisms, as well as a need to build capacity across the sector”(page 8).

Geoscience Australia’s submission also highlighted the need for national scale data:

“Nationally consistent and fit-for-purpose data is essential to develop evidence-based policy and input into decision making around disaster mitigation, resilience, response and recovery initiatives. There is a continuing need to expand the availability of consistent and up-to-date national information on hazards, and risk. Importantly, the data must be open, that is data are available and accessible, and that everyone is able to use, reuse and redistribute.

National scale information that is integrated with the risk framework will assist in developing and prioritising options to achieve an effective and sustainable balance of natural disaster recovery and mitigation expenditure to build the resilience of communities.” (page 9).

The Business Roundtable notes the recent initiative announced by the Minister for Communications (July 2014) in relation to the National Map Open Data Initiative. The initiative gives users access to a single platform for Government geospatial datasets, including those from the Bureau of Meteorology, Australian Bureau of Statistics and data.gov.au. We hope that this platform continues to be developed to ensure that critical information is efficient, open, transparent and available to enable effective decision making by the spectrum of end users.

A National Platform for Foundational Data

The Business Roundtable believes there is a need for a national platform for foundational data covering demographic, weather, topography and geological, and assets data. The required granularity of data does vary with the proposed application of the data. For example, to predict the ramifications of natural perils such as flood and storm surge require very high spatial resolutions: horizontal resolutions in the order of 1m is preferred and vertical resolutions in the order of 10cm are sometimes needed. In contrast, requirements for other hazards such as bushfire, extreme wind related damage and earthquake are typically less demanding with tens of metres generally sufficient.

It is envisaged that the **national platform** would:

- make data generated across state boundaries, potentially owned by different state based organisations, available in a consistent format through a single access mechanism;
- provide access to relevant private sector information, such as data from utilities, service providers and insurers. The platform will provide consistent mechanisms for applying licensing and controlling

commercial access to such data sets to protect the rights of and appropriately remunerate the source data provider;

- collect, maintain and provide high quality metadata describing the characteristics and limitations of the data; and
- provide guidelines, standards and a data submission mechanism to allow providers to efficiently contribute data sets that would be used by a wide range of users, including: the insurance industry, various levels of government and other private sector users with an interest in reducing risks to their operation and mitigating the effects of potential natural disasters. Note that the platform will accommodate a range of data sets to facilitate natural disaster risk understanding, and therefore may find applications in a number of other domains.

It is envisaged that the national platform **provider** would:

- have a role in identifying and removing impediments to data accessibility by having mechanisms for licensing and access rights management, facilitating a reduction in restrictive covenants;
- help prioritise data types where there are general or local deficiencies or quality concerns, closely working with relevant organisations to broaden acquisition or address quality concerns.

The effectiveness of the national platform would be significantly reduced should there be no success in removing or downgrading restrictive covenants. Accordingly, the provider should be given the appropriate remit and independence to ensure that organisations work productively to provide data under the least restrictive covenants acceptable to the providing organisation.

Community Education

The Business Roundtable welcomes the Productivity Commission acknowledgement that community engagement and education are critical components of building resilience. To be most effective this requires longer term commitment of resources and activities than is currently available. This lends itself to multi-year programs that build trust and connections within communities.

A restructure of the current program in relation to household preparedness, creating a longer term 3 to 5 year program structure for funding, would lead to better outcomes through greater certainty for funders and recipients. Programs that have broader psycho-social focus (e.g. the Red Cross REDiPlan program) should also be given priority within the funding rounds, as hazard specific programs are funded, in the main, from within agency recurrent funds.

Ideally, psycho-social preparedness program development and coordination should also be funded on a recurrent basis, preferably from a central fund, rather than relying upon grant rounds or state funding bodies. This would allow for the strategic planning of these programs and their sustainability, potentially through a range

of partnerships with corporate and philanthropic supporters, while simultaneously promoting shared responsibility as identified in the National Strategy for Disaster Resilience.

Building Standards

Importantly, the Productivity Commission's *Draft Report* noted that *"regulations affecting the built environment have a significant influence on the exposure and vulnerability of communities to natural hazards. While building regulations have generally been effective, there is evidence that land use planning is not always incorporating natural disaster risk."* The 2013 Australian Business Roundtable White Paper also reflects this sentiment; *"Supporting an increased effort to co-ordinate and update existing data, natural resource mapping and assessments that may exist across government departments, needs to be prioritised and integrated into land use planning."* It is our belief that this will enable government to provide a more informed and consolidated approach to planning decisions and land management.

Both our 2013 and 2014 Papers recommend the importance of prioritising the collection and co-ordination of national natural hazard data, to properly inform state and locally based land use planning reforms. Only when this has been completed can the national building codes be geographically addressed accurately and adequately. Until now, building code standards have focused, in principle, on protecting life and safety. The Business Roundtable suggests that following the development of accurate data, there is further scope to enhance building standards so that they also cost-effectively protect the property itself, its owner's financial interest as well as potential disruption to people's lives with all the attendant intangible and indirect costs, and health and social impacts without sacrificing safety performance.

It is of note that post-event analysis of building damage after a number of major natural disasters indicates there is a crucial role for government to support community resilience by ensuring that new buildings in 'at-risk' areas are constructed to withstand hazards such as tropical cyclones, storm surge, severe storms, hailstorms, bushfires and flood. For example, it was found that changing the building code for South East Queensland could be expected to reduce damage from a cyclone by around 66%. This figure was based on historical analysis of the performance of housing in northern Queensland that was built before and after the introduction of similar standards.

A review of building codes nationally, without the influence of accurate and co-ordinated hazard data, could potentially have unnecessary cost implications. For example out of date, and inaccurate data, could potentially require owners of assets to invest in less effective preventative measures. Again, this reinforces our position, that the first priority must be a nationally co-ordinated data platform to inform all future investments, codes and standards.



Both of the Roundtable’s commissioned research papers outline a new approach to pre-disaster investments in Australia. They highlight the importance of integrated information and activity across governments, businesses and communities. By centralising decision-making and funding, and establishing a national research agenda, Government will be better able to co-ordinate and prioritise resilience activities across relevant departments and levels of government.

By pursuing the key recommendations of the Roundtable papers, economic costs can be materially reduced, as well as relieving long term pressures on government budgets. More importantly, a safer Australia can be created through building resilience against the trauma and loss of life that all too frequently confronts many of our communities when a natural disaster strikes.

Should you require further information please do not hesitate to contact Mr Michael Wilkins, Managing Director and CEO, Insurance Australia Group on (02) 9292 9291 or michael.wilkins@iag.com.au

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