

5 June 2014



**Institute of  
Chartered Accountants  
Australia**

Natural Disaster Funding Arrangements  
Productivity Commission  
LB2 Collins Street  
East Melbourne  
Vic  
8003

By email: [disaster.funding@pc.gov.au](mailto:disaster.funding@pc.gov.au)

Dear Sir or Madam,

## **Natural Disaster Funding Arrangements – Issues Paper**

The Institute of Chartered Accountants Australia (Institute) welcomes the opportunity to provide a submission to the Productivity Commission (the Commission) on the Natural Disaster Funding Arrangements – Issues Paper (the Issues Paper). Appendix A includes more information about the Institute.

### **Key points**

- **Create a long term disaster relief fund**

The Australian Government has a commitment and obligation to fund a proportion of the rebuilding costs for damaged infrastructure within states and territories. The Institute has previously recommended (through our 2013 pre-budget submission) that the Australian Government should create a well-financed relief fund for natural disasters. Natural disasters have been a regular occurrence in Australia and may continue to occur with greater frequency and intensity in the future due to climate change. We consider it is necessary to put in place a long term disaster relief fund to meet the government's financial commitments when natural disasters such as floods and bush fires occur.

- **Avoid temporary levies**

The creation of a well-financed relief fund would alleviate the need for special one-off temporary levies, such as the 2011-2012 flood levy, to meet short term funding pressures. We consider the government should be proactive rather than reactive to natural disasters and temporary levies tend to be the result of a reactive approach.

- **Learn from New Zealand's Natural Disaster Fund**

In New Zealand (NZ), the Natural Disaster Fund was created in 1945 and has been invested in local and international investments. The fund is managed by the Earthquake Commission, who also have comprehensive catastrophe re-insurance. The NZ Natural Disaster Fund is funded from a levy attached to insurance premiums. It provides natural disaster cover for insured land, property and contents. We recommend the Commission look at this as an example that Australia can learn from.

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- **Creation and ongoing subsidy of a disaster relief fund**

It would be preferable for the on-going subsidy of such a fund to be met from Commonwealth consolidated revenues, consistent with similar special purpose funds established to cover other known future costs. However, pressures on Commonwealth budgets are significant at present and into the future. The Commission should consider and assess the alternative funding options for establishing and ongoing income for a relief fund.

- **The framework should encourage insurance cover**

We concur with the Commission's concerns regarding the moral hazard and the need to have insurance cover at a household, business and government level should be encouraged by the framework in place. We understand that in NZ, access to the Natural Disaster Fund is available to those with applicable insurance policies.

Yours sincerely

**Rob Ward**

**Head of Leadership and Advocacy**

## **Appendix A**

### **About the Institute**

The Institute represents accounting and business professionals in Australia and around the globe. Members strive to uphold financial integrity through a commitment to ethics and acting in the public interest.

We focus on educating candidates through the Chartered Accountants Program and engage in advocacy and thought leadership underpinned by our members' knowledge and experience. We influence a range of policy areas impacting the Australian economy and domestic and international capital markets.

A watershed member vote in 2013 set the course for the Institute to amalgamate with the New Zealand Institute of Chartered Accountants (subject to obtaining formal government approvals and effecting amendments to constituent documents), with the vision of becoming the trusted leaders in business and finance.

The proposed new institute – Chartered Accountants Australia and New Zealand – is expected to have more than 90,000 members in total with 17,000-plus candidates, giving us greater scale and influence on the world stage.

We are on the Board of the International Federation of Accountants, and are connected globally through the 800,000-strong GAA and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

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