



Australian Government  
Attorney-General's Department

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# Attorney-General's Department Submission

Productivity Commission inquiry into natural disaster funding arrangements

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## **This submission**

The Attorney-General's Department welcomes the opportunity to make this submission to the Productivity Commission inquiry into natural disaster funding arrangements.

The submission:

- provides information on current Australian Government disaster funding arrangements, including prevention, preparedness, response and recovery expenditure, and
- explores the potential for reformed funding arrangements that will help improve Australia's resilience to natural disasters.

## Executive summary

Sustained economic growth, population shifts to areas exposed to more extreme and frequent weather events, and urbanisation have all combined to increase Australia's exposure to natural hazards, such as floods, bushfires and cyclones.

Since 2009, natural disasters around the country have claimed more than 200 lives and impacted hundreds of thousands of people. Deloitte Access Economics estimates that the total economic cost of natural disasters in Australia for 2012 exceeded \$6 billion—they predict these costs to “rise to an average of \$23 billion per year by 2050”.<sup>1</sup>

Some natural events are unforeseen and the resultant damage is serious and unavoidable, but this is not the case in many of the most severe events. Many communities experience repeated disruptions from natural disasters, and the effects of these events could be minimised through better planning and prevention.

There is national agreement on the need to build our resilience to disasters, and shift the traditional focus from response and recovery to prevention and preparation. The benefits of building disaster resilience are widely accepted, and include a reduction in loss of life, improved community safety, a reduction in damage to property, speedier recovery, and a reduction in the cost to the national economy.

All levels of government, industry, academia and the not-for-profit sector have roles to play in delivering a multi-layered, systematic programme that leverages contemporary science to better understand and predict natural hazards, enhance public communication, and reduce risk in the built environment.

However, work to date has been piecemeal and fragmented. While there are a broad range of challenges, the absence of identified funding to support these reforms remains the principal barrier.

Australian Government funding for natural disasters is significant, at over \$12 billion since 2009, but this funding is heavily weighted to disaster recovery, and may be distorting the economic incentive for other levels of government to invest in prevention strategies.

Relatively low eligibility thresholds (an eligible disaster is one that incurs costs of at least \$240,000), partnered with the high percentage of Australian Government reimbursement for recovery costs (up to 75 per cent of total state and territory expenditure) has led to

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<sup>1</sup> Deloitte Access Economics, *Building our nation's resilience to natural disasters*, commissioned by the Australian Business Roundtable for Disaster Resilience and Safer Communities, 2013, p 8.

considerable Australian Government liability for risks it does not directly manage. Whatever level of recovery support is provided, the Australian Government has a vested interest in supporting better management of disaster risks, to reduce its liability and prevent the impacts on our communities and economy.

The complexity of the recovery arrangements has increased in-step with their rising cost. Simpler arrangements are required that clearly position responsibility for tactical expenditure decisions at the local level, which is best-placed to navigate local issues and priorities.

The Productivity Commission's advice is sought on a means to realign the collective programmes and funding arrangements across all levels of government, to improve our understanding of disaster risk, communicate that understanding to the public, and support prevention strategies, while maintaining a safety-net for states and territories when the risk of natural disasters cannot be avoided.

# Disaster prevention and preparedness

## Impacts of natural disasters

Natural disasters have a significant impact on our communities and economy. A 2013 Senate Committee inquiry into extreme weather events heard varying estimates of the total financial costs, ranging from approximately \$900 million to \$4 billion annually depending on the methodology used.<sup>2</sup> A 2013 White Paper, *Building our nation's resilience to natural disasters*, prepared by Deloitte Access Economics for the Australian Business Roundtable for Disaster Resilience and Safer Communities, estimated that the total economic costs of natural disasters in Australia average around \$6.3 billion per year.<sup>3</sup> This total has been forecast to grow by 3.5 per cent annually, primarily due to population growth, concentrated infrastructure density, and the effect of internal migration to particularly vulnerable regions. With this growth rate, the annual total economic cost of natural disasters in Australia has been predicted to double by 2030 and reach \$23 billion in real terms by 2050.<sup>4</sup>

These economic impacts occur in addition to acute psychosocial impacts experienced by communities. Since 2009, natural disasters around the country have claimed more than 200 lives and impacted hundreds of thousands of people. A statistical 'value of life' may in some cases be used as a basis for estimating costs related to death and injury, however, the true impact in terms of the physical and emotional trauma for survivors, the longer term psychological consequences of lost family and friends, shattered lives, missed opportunities, cultural losses, social dislocation, and the localised impact on business activity cannot be usefully quantified.

While some natural events are unforeseen and the resultant damage is unavoidable, this is not the case in many of the most severe events. Many communities experience repeated disruptions from flood, cyclone and fire events, and the effects of these events could be minimised through better planning and prevention.

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<sup>2</sup> The Senate Environment and Communications References Committee, *Recent trends in and preparedness for extreme weather events*, August 2013, p 61.

<sup>3</sup> These forecasts do not factor in any potential increased risk resulting from climate change, as per Deloitte Access Economics, *Building our nation's resilience to natural disasters*, commissioned by the Australian Business Roundtable for Disaster Resilience and Safer Communities, 2013, p. 19.

<sup>4</sup> Deloitte Access Economics, *Building our nation's resilience to natural disasters*, p. 19.

## Disaster resilience and mitigation

Emergency management in Australia is based on the concept of Prevention, Preparedness, Response and Recovery (commonly known as the 'PPRR' framework) (**Figure 1**). Since 2002, Australian governments have promoted a deliberate shift from the traditional focus on response and recovery, to prevention and preparedness.



Figure 1 – PPRR model

The benefits of building disaster resilience are widely accepted, and include a reduction in loss of life, improved community safety, a reduction in damage to property, speedier recovery, and a reduction in the cost to the national economy.

Australia's approach is encapsulated in the *National Strategy for Disaster Resilience*. It is recognised as best-practice internationally and reflects the priorities of the global framework for disaster risk reduction, the *Hyogo Framework for Action 2005–2015: Building the Resilience of Nations and Communities to Disasters*.<sup>5</sup>

The Strategy recognises that building resilience is a shared responsibility across government and the community, and that action in the emergency management sector alone is not sufficient. To effect ongoing change, all sectors of the community must be engaged. **Box 1** details six hallmarks of a disaster resilient community.

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<sup>5</sup> United Nations Office for Disaster Risk Reduction, *Hyogo Framework for Action 2005–2015: Building the Resilience of Nations and Communities to Disasters*, 2005.

### **Box 1: Hallmarks of a disaster resilient community**

A disaster resilient community is characterised by its ability to function well under stress. The following is a list of practical indicators of resilient communities. The list is not exhaustive, but seeks to illustrate what a disaster resilient community might look like.

#### **1. The community, businesses and all levels of government understand their disaster risks**

Reliable data and information about natural hazards is available and accessible to decision-makers at all levels of society, including home owners, residents, businesses, not-for-profit organisations and all levels of government.

#### **2. Governments take proactive steps to mitigate risk**

Building on their understanding of disaster risk at the local, regional and national level, governments take proactive steps to protect public assets, prepare their communities for disasters and reduce the impact of extreme weather—through risk-appropriate land-use planning and building codes, effective public communication, investment in hard infrastructure and appropriate insurance.

#### **3. Members of the community and businesses take proactive steps to protect themselves, their assets and their livelihoods**

Members of the community and businesses have appropriate levels of insurance in place. They have proactively developed plans for how they will manage their safety and assets, and act upon those plans in times of natural disaster.

#### **4. People and business cooperate with local leaders and work in partnership with emergency services and local authorities during a time of crisis**

Well-functioning and robust partnerships exist across the community, and there is effective local engagement between authorities, businesses, the not-for-profit sector and the community to create a well-informed, integrated and coordinated approach to PPRR.

#### **5. There is a strong emergency management volunteer sector**

Well-equipped and trained emergency management volunteers—who understand local hazards and are connected to the community—are well supported and available to assist during times of crisis and recovery.

#### **6. Plans for resilient recovery**

Government and communities plan for recovery so that a satisfactory range of functioning is restored quickly in a way that reduces the impact of future disaster events, and contributes to resilience.

Through the Australia-New Zealand Emergency Management Committee (ANZEMC)<sup>6</sup>, all jurisdictions, in partnership with academia, industry and the not-for-profit sector, have worked to implement the Strategy. However, a range of challenges, described below, impede progress.

### **Natural Hazard Risk Information and Communication**

Effective management of disaster risk is heavily reliant on accurate and accessible information about natural hazards. All states and territories have agreed to make their existing risk assessments public, and to develop new risk assessments by 2017, based on the National Emergency Risk Assessment Guidelines (NERAG). The NERAG fosters a consistent, best-practice approach to disaster risk assessment at the state and territory level, which will help inform national risk management strategies. However, underlying data to inform more localised risk management remains limited or inaccessible—particularly in relation to flood risk. In some cases, the data that exists has been made available to the insurance industry to inform premiums, but is not directly available to the public in a digestible format.<sup>7</sup> Local and state governments have cited resource constraints, intellectual property restrictions, and potential litigation as the principal barriers to providing specific risk information to their communities.

Initiatives that leverage contemporary science and technology to better understand and predict natural hazards, along with enhanced public communication of risk information, would enable all levels of society to understand their exposure to, and better prepare for the impacts.

### **Reducing Risk in the Built Environment**

The opportunities to mitigate natural disaster impacts sit largely within state, territory and local government socio-economic policies. Strategies include hard infrastructure investments, such as flood levees, dams, the hardening of existing infrastructure (such as raising houses or adapting roads to avoid flood damage, and land buy-back schemes), as

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<sup>6</sup> The Law, Crime and Community Safety Council (LCCSC) is the ministerial council that provides national leadership on emergency management and disaster resilience policy. LCCSC is responsible for overseeing implementation of the *National Strategy for Disaster Resilience*. The Australia-New Zealand Emergency Management Committee (ANZEMC) is the senior officials group supporting the ministerial council. It has four sub-committees that work to address Australia-wide issues in the areas of capability development, community engagement, recovery, and risk assessment, measurement and mitigation.

<sup>7</sup> The Bureau of Meteorology does, for example, make data available to the public through its Climate Data Online portal, however the presentation of this information may not be in a format that allows the general public to make informed risk assessments.

well as policies and practices that embed risk mitigation into decision-making, such as land-use planning, road scheduling, land management, and building code reforms.

All jurisdictions have agreed in-principle to a Roadmap to improve disaster resilience in the built environment.<sup>8</sup> The Roadmap identifies seven priority areas:

- detailed hazard mapping
- training and mentoring to raise awareness of hazard risks and mitigation strategies
- building hazard assessment skills
- legislation and policy reforms that embed natural hazard risk assessment
- governance arrangements to ensure that land-use planning expertise is available to relevant committees, that research is available, and that liability and indemnity issues are addressed
- vendor disclosure of risk, and
- cross-jurisdictional collaboration to ensure that efforts aren't impeded by state boundaries.

Jurisdictions are currently developing capability and investment plans to articulate the level of progress they can commit to.

Local governments face some of the greatest challenges, in that disaster-risk-based land-use planning decisions often have to compete with the pressure to release highly desirable land on waterfronts and on the peri-urban fringe. Some local governments, with the support of state and Australian Government funding, have implemented effective risk mitigation strategies, such as those in the following case studies. However, sustained integration of disaster-risk assessment in land-use planning on a national scale will require a programme of capability development within local government, and sufficient dedicated funding to cover the cost of mitigation investments.

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<sup>8</sup> PlanDev Business Solutions (on behalf of the Land Use Planning and Building Codes Taskforce, a working group of the National Emergency Management Committee), *Enhancing Disaster Resilience in the Built Environment Roadmap*, 2012, available at [www.planning.org.au/news/resilient-communities](http://www.planning.org.au/news/resilient-communities).

### **Case study 1: Strengthening Grantham Project – Lockyer Valley Council**

Grantham, a small town of approximately 360 people, was devastated by Queensland's floods in January 2011, when floodwater swept through the valley. In total, 119 homes were significantly damaged, 19 homes were damaged beyond repair and 10 were completely destroyed. Twelve Grantham residents lost their lives.

Following the disaster, the Lockyer Valley Regional Council met with staff, planning experts and residents, and in consultation with Cardno, Deike-Richards and the Queensland Reconstruction Authority (QRA), developed a reconstruction master plan.

Funding support from the Queensland and Australian Governments (under Category D of the NDRRA<sup>9</sup>), totalling \$18 million, met the costs required to fully fund the voluntary land swap initiative and future development. This allowed the Council to direct its own financial resources towards other vital services and infrastructure required for the region. The planning process was fast-tracked by the QRA and completed in four months.

In total, 116 residents have swapped land as part of the Strengthening Grantham Project. For these residents, the benefits of the reconstruction process are numerous: a safe land lot upon which to rebuild, the provision of essential services and peace of mind that the community is now better protected for the future.

Since the 2011 floods, the Lockyer Valley Regional Council area has been flooded several times. In 2013, old Grantham town was completely flooded, however only three homes were damaged and the new estate remained flood-free. Based on this event, the Council estimated the Strengthening Grantham Project saved approximately \$30 million.<sup>10</sup>

### **Case study 2: Charleville levee**

In 2006, the Charleville town levee was designed and constructed to provide protection against events equivalent to the 1997 flood level, which was approximated as a 1 in 80 year event. In 2012, the levee largely protected the town from the flood event estimated to be close to a 1 in 100 year event.

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<sup>9</sup> A Category D measure under the NDRRA is an act of relief or recovery carried out to alleviate distress or damage in circumstances that are, in the opinion of the Minister, exceptional.

<sup>10</sup> Lockyer Valley Regional Council, *Strengthening Grantham Project saves community millions*, 6 February 2013, <http://www.lockyervalley.qld.gov.au/news-events/news/1575-strengthening-grantham-project-saves-community-millions> [accessed 3 June 2014].

The total cost of constructing the town levee, plus additional diversion works at Bradley's Gully, represented a \$28 million commitment to mitigation.<sup>11</sup> Based on an assessment of the 2012 flooding event, the QRA has estimated the Charleville levee has resulted in savings totalling \$56.2 million. This includes \$18.8 million worth of savings in roads, \$13.5 million in private property, \$17.3 million in government grants (under the NDRRA), and \$6.6 million in insurance. These savings are in addition to social and environmental benefits that were not accounted for in the QRA report.

The estimated benefit to cost ratio against the costs of the town levee (excluding the Bradley's Gully diversion given it was not completed during the flooding event) is calculated at 3.8:1. This basic assessment of the mitigation effectiveness of the Charleville town levee suggests that the mitigation costs have been recouped almost four times over for only one major flooding event, and that the lifetime value of these mitigation works will be significant.

The term 'betterment', as defined under the NDRRA, refers to the restoration or replacement of an essential public asset to a more disaster resilient standard than its pre-disaster standard. Current Australian Government financial support for betterment is a discretionary activity under the NDRRA, which is limited to essential public assets. Betterment proposals must demonstrate cost-benefit to all three levels of government. This can be problematic as it requires an agreed estimate of potential future risk and possible expenditure. Betterment has historically had a limited uptake (one project has been agreed at a maximum Australian Government cost of \$0.78 million). In early 2013, the Australian and Queensland governments agreed to share equally the cost of an \$80 million betterment fund for local government-owned assets damaged by flood, storm and cyclone events of early 2013.<sup>12</sup> A number of projects will be considered as part of a value-for-money trial, with initial assessments expected in the last quarter of 2014.

### **Absence of coordinated funding to support resilience strategies**

Australian Government funding for natural disasters spans all aspects of PPRR. Since 2009, the Australian Government has invested approximately \$350 million towards resilience-building efforts (encompassing prevention and preparedness), through:

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<sup>11</sup> Noting that the \$13.2 million allocated to Bradley's Gully diversion and town levee raising works had minimal effect during the 2012 flood event, given the works were still under construction.

<sup>12</sup> This fund was agreed under the assistance measure for extraordinary impacts from a disaster (Category D of the NDRRA) and is governed under the NPA for Natural Disaster Reconstruction and Recovery between the Australian and Queensland governments.

More information on the Queensland betterment fund is provided in the Department of Infrastructure's submission to this inquiry.

- the National Emergency Management Projects (NEMP) grant programme
- the Natural Disaster Resilience Programme (NDRP)
- the National Bushfire Mitigation Programme
- betterment provisions under the Natural Disaster Relief and Recovery Arrangements (NDRRA) and the Queensland Betterment fund
- the National Flood Risk Information Portal, and
- education, training and research.

Further information on Australian Government contributions to disaster resilience is provided at **Attachment A**.

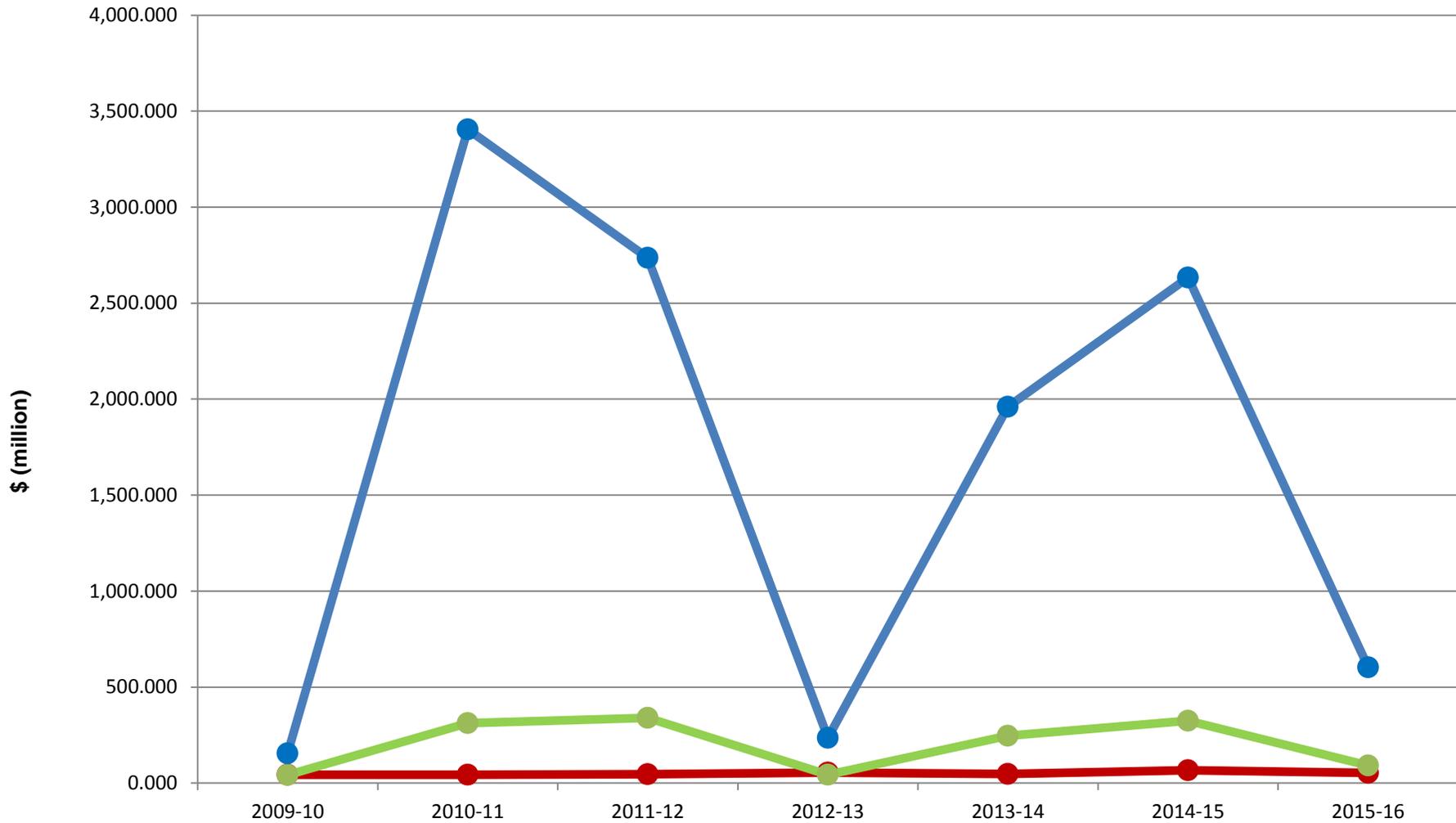
While these programmes are highly valued, they are dwarfed by the Australian Government's investment in recovery (at over \$12 billion for events since 2009), which is illustrated by **Figure 2**. This imbalance may be distorting the incentive for other levels of government and the broader community to invest in prevention measures, as previously noted by the Productivity Commission in their inquiry into the barriers to effective climate change adaptation.

All levels of government and the private sector support a more systemic, sustained and multi-layered approach that leverages science and technology to improve our understanding of natural hazards, and in turn informs:

- better public communication of disaster risk
- improved risk-management behaviour in the community and across business
- risk-based decision making in land-use planning, and
- targeted risk mitigation strategies, including infrastructure investments.

However, to date, national financial investment in such strategies has been largely ad-hoc and opportunistic. The lack of coordinated investment in disaster prevention, partnered with the distorted incentives inherent in our recovery arrangements, remain the persistent barrier to achieving the micro-economic reforms that will improve community safety and reduce the loss of life, damage to property and our economy, and the collective cost of recovery.

**Figure 2 – Estimated Australian Government natural disaster expenditure relative to the PPRR framework**



**Prevention and Preparation**

- National Emergency Management Projects
- Natural Disaster Resilience Programme
- National Bushfire Mitigation Programme
- Betterment under the Natural Disaster Relief and Recovery Arrangements
- National Flood Risk Information Project
- Education, training and research

**Response**

- Crisis Coordination Centre
- Counter disaster operations of Natural Disaster Relief and Recovery Arrangements
- Defence Assistance to the Civil Community
- National Aerial Firefighting Arrangements
- Emergency Alert

**Recovery**

- Natural Disaster Relief and Recovery Arrangements (NDRRA)
- Australian Government Disaster Recovery Payment
- Disaster Recovery Allowance

NOTE: Figures are estimates only, in some cases based on extrapolation of single or multi-year data and not including potential recovery payments for future disasters that have not yet occurred.

## The role of the private sector

The task of building a more disaster resilient nation is not the role of government alone. The *National Strategy for Disaster Resilience* recognises that businesses can and do play a fundamental role in supporting a community's resilience to disasters through provision of resources, essential services, expertise, and market signals of risk.

Strategic partnerships between governments, business, academia and communities are a force multiplier of government effort. One such business-government partnership is the Trusted Information Sharing Network (TISN) for critical infrastructure resilience, which is detailed in **Case study 3**.

### **Case study 3: Trusted Information Sharing Network (TISN) for critical infrastructure resilience**

A large proportion of Australia's critical infrastructure is owned and operated by the private sector. In the majority of cases, the owners and operators of such infrastructure are best placed to manage the risk to their operations and determine the most appropriate mitigation strategies.

To enhance the resilience of critical infrastructure, the Australian Government has partnered with owners and operators to share information, raise awareness of dependencies and vulnerabilities, and facilitate collaboration.

The Australian Government's Critical Infrastructure Resilience (CIR) Strategy was launched on 30 June 2010. It describes the Australian Government's approach to CIR, which is underpinned by a mostly non-regulatory business-government partnership approach, with a focus on the continuity of essential service delivery in the face of all hazards.

The TISN is the most visible component of the business-government partnership approach underpinning the CIR Strategy. It provides an environment where business and government can share vital information about critical infrastructure resilience and the continuity of essential services.

A broad range of sectors are involved in the TISN, from energy, through to banking and finance. In the case of the latter, for example, daily sectoral teleconferences were held during the 2011 Queensland floods. These teleconferences helped to ensure continuity of essential banking services, such as cash withdrawals when ATMs were disrupted and roads were washed away.

More information about the CIR Strategy and the TISN is available at [www.tisn.gov.au](http://www.tisn.gov.au).

Business recovery has been observed as fundamental to the recovery of a community following a disaster.<sup>13</sup> All Australian businesses are responsible for protecting their assets and resources through appropriate risk management practices including the development and review of business continuity plans, the provision of adequate security, and making provision to protect or replace assets and business from the likely risks in their area—including arranging adequate levels of insurance. The Australian Government provides assistance to small businesses to help with business continuity planning. Business continuity planning is detailed further in **Case study 4**.

#### **Case study 4: Business continuity planning**

Small business plays a vital role in the health of the economy and social fabric of a local community: providing jobs, income and underpinning economic vitality, without which a community would find it hard to recover.

Businesses that proactively develop plans for how they will manage their safety and assets are likely to be less affected by a disaster, and will recover more quickly and effectively.

In 2011, the Australian Government led a project to assess current business continuity planning (BCP) covering a range of business shocks, including natural disasters. The project report found that improved self-reliance, generated in part by good planning, including BCP, can help a small or medium enterprise survive a shock or disaster.

As a result, since 2012 the Australian Government has included 'continuity planning' in its guidelines for the Small Business Advisory Services (SBAS) Programme, as an example of business planning advice that service provider applicants could deliver to small businesses. The provision of such advice by SBAS service providers encourages small businesses to think about how they will plan for external shocks such as a natural disaster. Importantly, inclusion in the grant guidelines encourages SBAS service provider applicants to advise small businesses to integrate BCP into their broader business planning even if the service provider ultimately does not receive an SBAS grant.

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<sup>13</sup> Regional Australia Institute, *From Disaster to Renewal: The centrality of business recovery to community resilience*, Final Report, August 2013.

Internationally, the United Nations Office for Disaster Risk Reduction (UNISDR) has recognised the important role that the private sector plays in building disaster resilience, and they are working to:

- engage businesses in a dialogue on risk management to share knowledge and information, build capacity, and identify opportunities for building resilience
- assess the potential of incentives and regulations to promote disaster resilience investment and improved business resilience (for example, through adoption of standards, business continuity planning), and
- identify ways of strengthening and promoting the adoption and use of tools such as risk transfer and risk insurance.<sup>14</sup>

There may be opportunities for Australia to contribute to, and build on the work of the UNISDR in these areas.

The insurance industry plays a critical role in disaster risk management, by providing a mechanism for individuals, businesses and governments to transfer their risks. The price and availability of insurance provides signals to the community about the level of risk from a range of hazards and provides some encouragement for risk mitigation and reduced vulnerability to loss.

The insurance industry relies on information about disaster risk, such as flood mapping, in order to set premiums. As noted earlier, this information is provided largely by local governments, with restrictions around its further use. The insurance industry will also consider climate data, including data provided by the Bureau for Meteorology.<sup>15</sup> The more detailed the data, the more accurately the insurance industry can reflect specific disaster risks in its premiums.<sup>16</sup>

Mutual benefits could be achieved through new government-business partnerships in mitigation initiatives, and by supporting market mechanisms that incentivise good risk management practice.

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<sup>14</sup> *Asia-Pacific Input Document for HFA2: Building the Resilience of Nations and Communities to Disasters*, UNISDR Asia-Pacific, 2014, p 18.

<sup>15</sup> Climate data is provided by the Bureau of Meteorology to both the insurance industry and the public via the Climate Data Online portal or through processing of specific requests. This data can inform the insurance industry's understanding of the frequency and impact of past events, support the development of risk indices, and inform claims assessment after an event such as a flood or severe thunderstorm. The public can also utilise this data to resolve claims with their insurers.

<sup>16</sup> More information on insurance of public infrastructure is provided in the *Disaster recovery* section of this submission.

More information on the role of insurance in mitigating community risk, and issues with insurance markets across Australia is provided in the Treasury's submission to this inquiry.

## Disaster response

The Australian Government plays an important coordination and support role during significant crises, complementing the primary responsibility of states and territories for the protection of life and property within their jurisdictions.<sup>17</sup> This support can take many forms depending on the nature of the disaster, ranging from strategic advice to physical assistance through the deployment of resources and personnel.

The Australian Government Crisis Coordination Centre, managed by Emergency Management Australia, is a dedicated all-hazards facility that operates 24 hours a day, seven days a week. The Centre provides whole-of-government situational awareness to inform national decision-making during a crisis, and briefing and support to executive decision-makers in the Australian Government, state and territory governments and non-government agencies. The Centre also coordinates Australian Government physical assistance to the states and territories during incidents, under the Australian Government Disaster Response Plan (COMDISPLAN). The Centre is funded within the Attorney-General's Departmental Budget, at a cost of approximately \$6.5 million in FY2013–14.

Depending on the circumstances and needs of the affected jurisdiction, Australian Government physical assistance can include resources and technical capability from a range of Australian Government agencies. The cost of the assistance provided is usually borne by the providing agency, as outlined by COMDISPLAN and the Australian Government Crisis Management Framework.<sup>18</sup>

As an example, the Department of Defence (Defence) undertakes a large number of Australian Government emergency assistance tasks during natural disasters. When Defence accepts a request and provides emergency assistance, this is referred to as emergency 'Defence Assistance to the Civil Community'.

In recent years, Defence has deployed resources in response to a number of disaster events. These have included the 2013 Blue Mountains bushfires, the 2013 Queensland floods, and 2012 South Queensland/Northern New South Wales flooding events. These events alone have cost Defence almost \$2.5 million in additional unbudgeted costs.

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<sup>17</sup> In addition to this support role, the Bureau of Meteorology has legislative responsibility for issuing warnings of extreme weather that may endanger life or property including weather conditions likely to give rise to floods or bushfires. The Bureau has provided a separate submission to this Inquiry, which includes an overview of its role in natural disaster management.

<sup>18</sup> Further information on Australian Government emergency management plans, including the COMDISPLAN, is available at [www.em.gov.au](http://www.em.gov.au).

Defence seeks reimbursement of some particular costs from the states and territories, generally relating to consumable goods such as food and fuel. With respect to fuel, however, states and territories may then seek reimbursement of the costs from the Australian Government under counter disaster operations provisions afforded by the NDRRA.

The NDRRA allows the states and territories to claim partial reimbursement for 'extraordinary costs'<sup>19</sup> that are associated with certain counter disaster operations to assist an individual or protect the general public, where that activity would reasonably be expected to reduce the need to provide emergency assistance to individuals.<sup>20</sup>

From 1 July 2007 to 30 June 2014, total estimated expenditure on counter disaster operations under the NDRRA will be \$1.2 billion. Expenditure peaked in 2008–09 at \$321 million, which is largely reflective of the costs associated with the 2009 Victorian bushfires. For some events, expenditure on counter disaster operations will outweigh expenditure on other measures, including restoration of essential public assets. For example, in Victoria in 2008–09, counter-disaster operations costs constituted almost 70 per cent of total NDRRA expenditure.

Over time, a much broader range of state and territory pre-deployment and response costs have been covered under the NDRRA than was originally envisaged. Some of these costs, such as aerial firefighting costs (described below and at **Attachment B**), are already subject to separate Australian Government cost-sharing arrangements.

While states and territories are responsible for developing and maintaining operational capability to meet their local needs, there have been opportunities to achieve efficient and effective outcomes through the development of national capabilities, such as the National Aerial Firefighting Arrangements, and Emergency Alert — the national telephone-based emergency warnings system. In the absence of a mechanism to finance the development and maintenance of national capabilities, the Australian Government has played a role in coordinating and financing their development; however funding ongoing maintenance remains challenging for states and territories.

The Australian Government also offers surge assistance (such as emergency hotline telephony overflow) to states and territories on a cost-recovery basis through the Department of Human Services.

More information on disaster response is provided at **Attachment B**.

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<sup>19</sup> NDRRA Determination 2012, clauses 3.2.2(f), 3.3.1(c) and 3.8.

<sup>20</sup> Category A personal hardship and distress assistance (clause 3).

# Disaster recovery

## Australian Government assistance to states and territories

There will always be a level of residual disaster risk that cannot be anticipated, or that may not be effectively or efficiently mitigated in advance. Under the NDRRA, the Australian Government reimburses state and territory recovery costs when certain thresholds are met. These arrangements, which were intended to provide a financial safety-net for states and territories when faced with extraordinary impacts from unforeseen events, have become a regular feature of government Budgets nationally.<sup>21</sup>

Relatively low eligibility thresholds (an eligible disaster is one that incurs costs of at least \$240,000), partnered with the high percentage of Australian Government reimbursement (up to 75 per cent of total state and territory expenditure) has led to considerable Australian Government liability for risks it does not directly manage.

Approximately \$12 billion in financial assistance will be provided by FY2015–16 for disasters that have occurred since 2009. By the end of FY2015–16, it is estimated that \$10 billion of this assistance will have been spent on restoring essential public assets—mostly roads owned and maintained by the states and territories. With future events not yet taken into account, there is the potential for significant growth in this expenditure.

In the absence of better planning and prevention measures, the Australian Government's disaster recovery liability is highly volatile. In response to events from 2010–2013, the Government's disaster recovery liability increased by around \$9 billion—approximately \$6.1 billion from 2010–11 disaster events; \$1.2 billion from 2011–12 disaster events; and, \$1.8 billion from 2012–13 disaster events. Such significant budget volatility requires the Australian Government to make trade-offs to support unexpected recovery expenditure. For example, following the 2010–11 Queensland floods and Tropical Cyclone Yasi, the estimated \$5.6 billion to rebuild and repair public infrastructure was funded through a \$1.8 billion one-off

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<sup>21</sup> In 2012, the Australian Government extended the NDRRA to include terrorist events, as well as natural disasters. Although the NDRRA Determination does not explicitly mention terrorist incidents as eligible events, the NDRRA is the framework for jurisdictions to seek financial support for recovery assistance in the event of a terrorist attack.

national flood levy, \$2.8 billion in spending cuts<sup>22</sup> and \$1 billion from delaying some infrastructure projects.<sup>23</sup>

The Federal Budget may also experience volatility across years with delays in the submission of state and territory claims for reimbursement, often related to infrastructure project delays including those caused by the occurrence of further disaster events. Some states have also indicated that market factors such as the limited availability of skilled labour in rural and remote areas place pressure on project progression.

The NDRRA provides states and territories with a high level of flexibility to decide the level and means of recovery support. This flexibility facilitates quick implementation of recovery strategies by providing surety around the level of Australian Government support that will be available. However, in practice, this flexibility drives ambiguity, which has resulted in differences in interpretation, an incremental expansion of eligible measures, rising costs, and allegations of cost-shifting.

For example, under the NDRRA, the Australian Government will share the costs of restoring or replacing an essential public asset to its pre-disaster standard. In so doing, the state or territory may rebuild to current building and engineering standards rather than being obliged to use obsolete materials or methods. But what constitutes an allowable current standard is open to interpretation. Current standards may include new safety features or consideration as to whether an asset is fit for present and future purpose. Assurance of claims requires technical assessments of engineering reports, site constraints and the cost of construction materials.

The frequent use of grants under the NDRRA has led to a community, industry and political expectation that grants would be provided as a relatively standard measure. Other measures to support individuals, businesses or primary producers, while not intended as compensation for loss, in some circumstances operate as a disincentive to adequately mitigate disaster risks or increase their willingness to expose themselves to them, especially in regard to low value losses.<sup>24</sup>

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<sup>22</sup> The most significant cuts were to the Cleaner Car Rebate Scheme (providing \$429 million), \$350 million from the Priority Regional Infrastructure Programme, \$299 million from the Capital Development Pool and \$263 million from the National Rental Affordability Scheme.

<sup>23</sup> House of Representatives Standing Committee on Economics, *Inquiry into the Income Tax Rates Amendment (Temporary Flood Reconstruction Levy) Bill 2011; and the Tax Laws Amendment (Temporary Flood Reconstruction Levy) Bill 2011*, February 2011, p. 11.

<sup>24</sup> Australian Strategic Policy Institute, *Special Report - Sharing risk: Financing Australian's disaster resilience*, Issue 37, February 2011, pp. 2, 8.

To contain costs, there has been a push for increasing Australian Government audit and oversight of state and territory expenditure and infrastructure insurance arrangements. The Australian National Audit Office has suggested that more rigorous oversight arrangements and value-for-money assessments, such as those in place for Queensland<sup>25</sup>, would provide the Australian Government with a level of assurance commensurate with its expenditure. While increased oversight may provide the Australian Government with greater assurance that state and territory recovery expenditure is cost-effective, it results in a high level of regulation and delays in recovery activities. It also has the effect of moving the tactical decision-making away from the states and territories and those best-placed to understand and manage the local issues, and draws the Australian Government into protracted negotiations about what will be funded.

The National Commission of Audit has recognised the primacy of state and territory governments in dealing with natural disasters and recommended that Australian Government involvement should be significantly reformed. In particular, it suggested replacing the NDRRA with a grants-based model as a means of reducing complexity and ensuring the Australian Government's decision-making and oversight roles are appropriate to its constitutional responsibilities. It also recommended that the rate of Australian Government contribution be reduced to between 25 per cent and 33 per cent to ensure that state and local governments have greater incentive to invest in disaster prevention and to manage disaster recovery expenditure on infrastructure.<sup>26</sup>

Whatever level of support is provided, the Australian Government has a vested interest in better risk management, to prevent the impacts of natural disaster on economic activity and tax revenue, and reduce its direct liability for state and territory recovery costs.

Further information on the NDRRA can be found at **Attachment C**.

### **Insurance requirements**

The NDRRA Determination is not intended to supplant, or operate as a disincentive for self-help by way of access to capital or investment in mitigation strategies. As a condition of NDRRA assistance, states and territories are required to have reasonably adequate capital or access to capital to fund liabilities or infrastructure losses, including through commercial or state insurance or reinsurance.<sup>27</sup> The 2012 *Review of the Insurance Arrangements of States*

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<sup>25</sup> Under the National Partnership Agreement for Reconstruction and Recovery between the Australian and Queensland governments.

<sup>26</sup> National Commission of Audit, *Towards Responsible Government: Phase One*, p lvii.

<sup>27</sup> *NDRRA Determination 2012*, clause 4.5.1.

*and Territories under the Natural Disaster Relief and Recovery Arrangements Determination 2011* (the Insurance Review) found that the majority of states and territories and local governments have insurance in place for non-road assets that mitigate the financial exposure of tax payers under the NDRRA.<sup>28</sup> However, a significant gap exists with respect to the insurance of road assets.<sup>29</sup>

The Insurance Review found that commercial insurance options are unavailable for many of the roads that are most vulnerable to repeated damage. Specifically, investigation into the availability of commercial insurance and non-traditional insurance options for road assets at the time of the review found that:

- the appetite and capacity of traditional insurance arrangements for road assets in Australia was insufficient
- non-traditional insurance options are limited in their availability and, even if available, may not be cost-effective, and
- risk transfer options for road infrastructure may not present a viable solution for all jurisdictions in Australia.<sup>30</sup>

There may be merit in exploring alternative market mechanisms to manage disaster risk and road assets.

## **Australian Government recovery assistance to individuals**

The Australian Government also ensures the early provision of assistance directly to affected individuals through the Australian Government Disaster Recovery Payment (AGDRP) and the Disaster Recovery Allowance (DRA).

### **The Australian Government Disaster Recovery Payment (AGDRP)**

The AGDRP was introduced in 2006 to provide an immediate one-off Australian Government payment to individuals adversely affected by a major disaster (including onshore and offshore natural and non-natural events).<sup>31</sup> When it was introduced in 2006, it was expected to cost \$4.3 million in its first year and \$3.0 million per year in the outer years.

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<sup>28</sup> *Review of the Insurance Arrangements of States and Territories*, p 8.

<sup>29</sup> *Review of the Insurance Arrangements of States and Territories*, p 10.

<sup>30</sup> Department of Finance and Deregulation, *Review of the Insurance Arrangements of States and Territories under the Natural Disaster Relief and Recovery Arrangements Determination 2011*, (Phase 2 report), 2012, p 10.

<sup>31</sup> Since its commencement in December 2006, the AGDRP has been paid for one terrorist event: the Mumbai terrorist attack in November 2008.

The increased impact of extreme weather events on populations over the years, partnered with an expansion in eligibility criteria to include moderately affected individuals<sup>32</sup>, has resulted in expenditure of approximately \$185.1 million per year over the past seven years—varying between a low of \$10.9 million in FY2006–07 and a high of \$826.1 million in FY2010–11 following the Queensland floods and Tropical Cyclone Yasi. During the 2010–11 financial year, seven per cent of all claims were made for individuals severely affected, and approximately 93 per cent of claims were made under the moderately affected criteria.<sup>33</sup> Improved data assessment tools to provide an evidence-based threshold for activation, coupled with more targeted eligibility criteria, have contributed to lower than average expenditure in FY2013–14.

In addition to payment costs, which are funded by the Attorney-General's Department, it costs between \$200 and \$600 per claim to deliver the payment depending on the scale of the disaster and response approach. No ongoing funding model exists for these costs. In the past, the Department of Human Services (which delivers the payments) has received some reimbursement through direct appropriation for major, expensive disaster activations, such as the 2009 Victorian bushfires and the Cyclone Yasi floods. The Department of Human Services has absorbed all emergency response costs since the 2010–11 disaster season.

Absorbing significant costs—whether from a large disaster or the cumulative effect of multiple small disasters—can impact the performance of other policies and payments administered by the Department of Human Services. This cost ultimately impacts on service to customers if there is a strain on call wait times, claim processing, or service centre wait times. Providing certainty on funding arrangements for the Department of Human Services for administration of disaster response activities (for example, by providing standing authority to bring forward a proposal for the costs associated with the administration of disaster payments and services, or a formulaic model where expenditure over a threshold is reimbursed at the next budget update) would give better transparency and certainty to Human Services and its other client policy agencies.

Increasingly, there is a public expectation that the Australian Government will activate the AGDRP as soon as a community has experienced extreme weather, and before the impact of the event can be fully assessed. This can create challenges in properly assessing whether assistance provided by states and territories immediately following an extreme weather event

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<sup>32</sup> The AGDRP eligibility criteria is described at Attachment C.

<sup>33</sup> This data should be interpreted with caution, noting that individuals may claim the flat-rate payment under the moderate criteria, which has a lower burden of proof, despite being severely affected.

is sufficient to meet the needs of an impacted community, or to allow it to be targeted at those communities most at need.

Early activation of the AGDRP is often argued on the basis of addressing immediate welfare needs such as food, clothing, emergency accommodation, or grants to make repairs or replace essential household items. However, such assistance duplicates that provided by states and territories, the cost of which is partially reimbursed by the Australian Government under Category A of the NDRRA. It also leads to inconsistent application of the payment nationally.

There is anecdotal evidence that these payments play an important role in supporting communities getting back on their feet by facilitating cash injections directly to communities. In the international humanitarian aid context, delivering assistance via cash transfers is now commonly employed. A 2008 report from the World Bank noted that there was growing evidence of its efficacy, noting that ‘cash confers dignity and choice and tends to have lower transaction costs and higher value to beneficiaries than in-kind support’.<sup>34</sup>

However, frequent and generous personal recovery payments may distort signals to communities about their risk exposure. In some communities that face extreme weather events on a recurring basis, the payment is seen as an entitlement. There is potential for such communities to rely on the payment, rather than prepare for, and mitigate, the risks to the extent possible. The National Commission of Audit has noted that Australian Government payments to individuals should be restricted to those that suffer severe hardship.

Further information on the AGDRP can be found at **Attachment C**.

### **The Disaster Recovery Allowance (DRA)**

The DRA was introduced in 2013, replacing the former ex gratia Disaster Income Recovery Subsidy (DIRS), to assist employees, primary producers and sole traders to aid in local, regional and community economic recovery by maintaining the local workforce in disaster affected areas. The programme’s intent is supported by research conducted after the 2011 Queensland floods, which found that among the highest priority assistance required by

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<sup>34</sup> Rasmus Heltberg, *Humanitarian Exchange Magazine*, ‘The World Bank’s experience with cash support in some recent natural disasters’, World Bank, Issue 40, October 2008.

disaster affected businesses was financial support to retain skilled workers and provide cash flow due to lost income.<sup>35</sup>

The accessibility and eligibility of the DRA is designed specifically to aid those affected by a major disaster by removing administrative burdens, waiting periods or asset and liquid testing associated with standard income support payments such as Newstart Allowance, Youth Allowance or the Age Pension.

The National Commission of Audit noted that the Disaster Recovery Allowance and similar wage subsidies provide poor signals to employers to undertake better business and risk planning.<sup>36</sup> However, research findings from the Commonwealth Bank and the National Centre for Social and Economic Modelling at the University of Canberra support the need for this type of assistance by recognising that the availability of this kind of government financial support “provides a vital helping hand that kick-starts communities on the road to recovery”.<sup>37</sup>

The DIRS was first provided in 2006 following Tropical Cyclone Larry in Queensland. In total, national DIRS expenditure reached approximately \$97 million with approximately \$74 million relating to the 2011 events. To date, only two events have produced the economic impacts warranting provision of the new DRA: the New South Wales bushfires in October 2013 and Cyclone Ita for the local government area of Hope Vale, Queensland in April 2014. Current expenditure for these two activations has not exceeded \$50,000 (as at 29 April 2014). Implementation costs for the DRA have been estimated at \$1.7 million over five years.<sup>38</sup>

Further information on DRA can be found at **Attachment C**.

### **Ex gratia payments**

An equivalent of the AGDRP and the DRA is made available to eligible New Zealand non-protected SCV holders (subclass 444), through ex gratia payments. The ex gratia mechanism operates under the *Financial Management and Accountability Act 1997*<sup>39</sup>, which is not accompanied by the same financial recovery provisions that exist for the AGDRP and DRA. The Department of Human Services has less success in recovering debts from

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<sup>35</sup> Chamber of Commerce and Industry Queensland, *Impact of the Queensland floods on business: CCIQ survey*, February 2011, p 9.

<sup>36</sup> National Commission of Audit, *Towards Responsible Government: Phase One*, p 189.

<sup>37</sup> Commonwealth Bank, *Economic vitality report: Viewpoint*, Issue Four: September 2011, p 9.

<sup>38</sup> *Social Security Legislation Amendment (Disaster Recovery Allowance) Bill 2013*, Explanatory Memorandum, p.3.

<sup>39</sup> The Financial Management and Accountability Act 1997 will be replaced by the Public Governance, Performance and Accountability Act from 1 July 2014.

ex gratia disaster payments compared with debts from the AGDRP and DRA. However, this risk is minimal due to the relatively low volume of ex gratia payments.

### **Other support provided through the Department of Human Services**

In addition to financial support through the AGDRP and DRA, the Australian Government also contributes to community recovery through the provision of ongoing mainstream payments<sup>40</sup> and often establishes an on-the-ground presence through the Department of Human Services. The Department of Human Services deploys officers to local recovery centres to deliver government payments (disaster payments, social security payments, Medicare and child support) as well as specialist social work services. It also operates two Mobile Service Centres—large vehicles containing fully functioning offices—which have been deployed to disaster affected communities in the past (most recently, the Blue Mountains in October 2013).

To support these service delivery programmes, the Department of Human Services uses an internal arrangement to flexibly assign officers into different roles or locations on an as-needs basis. Its national footprint and its large capacity workforce is an advantage in situations where state or territory governments may not have enough, or any, staff in the affected area or staff available for deployment.

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<sup>40</sup> Such as income support payments where a person's circumstances have changed as a result of an emergency.

# Attachment A – Disaster prevention and preparedness programmes funded by the Australian Government

## National Emergency Management Projects (NEMP)

The Australian Government established the NEMP grant programme in 2009 to fund projects of national significance that directly contribute to the implementation of the *National Strategy for Disaster Resilience*. The programme enables the Australian Government, through the Australia-New Zealand Emergency Management Committee (ANZEMC), to provide strategic leadership on, and drive implementation of, national disaster resilience policy.

The Minister for Justice is the financial delegate for the grants programme. The Minister acts on advice about priority projects provided by the ANZEMC. The programme is administered by the Attorney-General's Department and projects are overseen by the ANZEMC sub-committees. Grant recipients typically include organisations with established experience in emergency management, and can include government or non-government agencies, not-for-profit organisations, universities or academic bodies.

The Australian Government provides approximately \$3.6 million per year, including \$2 million in administered funds<sup>41</sup> and \$1.6 million in departmental funds under the programme. Since it was initiated in 2009, approximately \$17 million has supported more than 100 projects. Programme administration costs are absorbed by the Attorney-General's Department.

This programme promotes a collaborative approach and is strongly supported by the national emergency management community. Specific projects have included the development of national frameworks, exercises, training packages, research, evaluations and capability development initiatives. For example:

- the NERAG Practice Guide and online training course—development of resources for emergency risk assessment training, including associated materials for face-to-face and distance learning. Further funding was committed in FY2013–14 to develop a host for the online training course for the NERAG, ensuring long-term accessibility for jurisdictions and registered training organisations to train risk management practitioners
- volunteer initiatives contributing to the implementation of the National Emergency Management Volunteers Action Plan 2012—delivery of a range of initiatives under the

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<sup>41</sup> The NEMP is referred to as the Disaster Resilience Australia Package in the AGD Portfolio Budget Statements and Annual Reports.

National Emergency Management Volunteer Action Plan 2012, including developing volunteer leaders, increasing interest in emergency management volunteering, and facilitating portability of training qualifications across jurisdictions and between organisations

- the Emergency Communication Service (Triple Zero) Policy, Framework and Standards—delivery of a governance framework to fund, monitor, identify, prioritise, and/or coordinate delivery of the Emergency Communication Services to support Next Generation Triple Zero, and
- the National Emergency Management Capability Assessment Tool—development of a tool to assess national emergency management capability, which can be adapted for state, territory and local government use.

**Appendix i** provides a full list of projects approved under NEMP for the 2013–14 financial year.

## Natural Disaster Resilience Programme (NDRP)

The NDRP is the key funding mechanism through which the Australian Government supports states and territories in implementing the *National Strategy for Disaster Resilience*.

Established in 2009, the NDRP consolidated the Bushfire Mitigation Programme, Natural Disaster Mitigation Programme and National Emergency Volunteer Support Fund into a single, more flexible programme administered through a National Partnership Agreement (NPA).

The Australian Government contributes approximately \$26 million annually to the NDRP, which is matched by the states and territories through either funding or in-kind resources, such as staffing. Funding for the NDRP is apportioned to the states and territories based on population, cost of disasters and relative disadvantage, and is adjusted by agreement to provide an adequate minimum level to the territories and Tasmania. Payments are transferred twice a year on a treasury-to-treasury basis contingent on Australian Government agreement to an implementation plan and achievement of performance milestones. The current two-year NPA expires on 30 June 2015.

The NDRP framework allows the Australian Government to support important projects at the local level, while recognising the primacy of state and territory governments in managing natural disasters. The flexibility afforded by administering the programme under an NPA enables funding to be directed to jurisdiction-specific priorities, which are often led by local organisations that are best placed to understand and manage local risks. To date, all states

and territories have chosen to administer the majority of NDRP funding through local grants programmes.

Projects are led by state and territory agencies, local councils, non-government organisations, volunteer organisations and researchers. Specific outcomes of projects can be wide-reaching and varied, and include flood and bushfire mitigation infrastructure, volunteer development programmes, hazard mapping, public awareness campaigns, and research across all hazards. Given the nature of some of the projects, it may take several years before the benefits of the initiatives can be observed. **Appendix ii** provides examples of projects funded by states and territories between 2009 and 2013.

## National Bushfire Mitigation Programme

As part of the 2014–15 Budget, the Australian Government has committed to provide \$15 million over three years to state and territory governments for a National Bushfire Mitigation Programme to implement long-term bushfire mitigation strategies and improved fuel reduction programmes.

This programme enables the Australian Government to directly assist states and territories in implementing bushfire mitigation strategies. The delivery model and specific objectives of the programme are still to be finalised with states and territories.

The programme is intended to commence in the 2014–15 financial year pending negotiations with states and territories.

## National Flood Risk Information Project (NFRIP)

The impact of floods on Australian communities was the subject of the 2011 *Natural Disaster Insurance Review* (NDR).<sup>42</sup> In response to the NDR recommendations, the Australian Government initiated the NFRIP to improve the quality, availability and accessibility of flood risk information in Australia.

The Australian Government allocated \$12 million in funding to Geoscience Australia over four years (from July 2012) to deliver the NFRIP, which includes:

- the development and population of the Australian Flood Risk Information Portal (the Portal) to provide a central point of public access to flood hazard data and flood related imagery

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<sup>42</sup> *Natural Disaster Insurance Review: Inquiry into flood insurance and related matters*, Commonwealth of Australia, September 2011.

- the development of associated guidelines and standards, including the current national guide for estimating flood characteristics and the Australian Rainfall and Runoff guidelines, and
- the processing historical earth observation imagery to extract water observations.

The Portal is intended to provide a single access point to existing flood hazard data, and to develop national guidelines covering the collection, comparability and reporting of flood information. The aim of the Portal is to support communities to better understand their flood hazard, and inform better planning and mitigation decision-making.<sup>43</sup>

## **Bushfire and Natural Hazards Cooperative Research Centre (BNHCRC)**

The Australian Government has been investing in specific research to help improve our information base and understanding of the environment in the long term. It contributes to policy and programme development as well as at an operational level.

The Bushfire Cooperative Research Centre (Bushfire CRC) was established in 2003 for a seven-year term under the Australian Government's Cooperative Research Centres Programme to better manage the bushfire risk to the community, with funding from the Australian Government, states and territories, and industry.

The Australian Government has provided a total of \$43.9 million for the Bushfire CRC since 2003, including \$15 million announced in the 2009 Budget, which extended the term of the existing Bushfire CRC from 2010 until June 2013 to research issues arising from the 2009 Victorian bushfires. The Government further agreed to an unfunded extension for the Bushfire CRC to continue its activities to 30 June 2014.

The BNHCRC commenced operation on 1 July 2013 to expand the national research effort in hazards, including bushfires, floods, storms, earthquakes, cyclones and tsunamis. The BNHCRC's research is intended to improve approaches to mitigation, operational responses and enhance community resilience to natural hazards.

The research programme is grouped into three major themes:

- economics, policy and decision-making
- resilient people, infrastructure and institutions, and
- bushfire and natural hazard risks.

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<sup>43</sup> More information on the NFRIP is detailed in Geoscience Australia's submission to this inquiry.

The activities and research outcomes will provide a mechanism to progress outcomes of the *National Strategy for Disaster Resilience*.

The Australian Government has committed to investing \$47 million over eight years to the BNHCRC, with state and territory governments, research institutions and non-government organisations providing matched support.

## Education and training

Knowledge is fundamental to helping communities assess and understand local hazards and risk, and informing preparation and mitigation measures. In addition, a robust, well-trained emergency management sector is essential to help prepare for, mitigate and respond to natural disasters.

The Australian Government has contributed up to \$8 million per year to delivering emergency management education, research and training programmes to emergency management professionals across Australia, through the Australian Emergency Management Institute (AEMI). AEMI's courses and diplomas are aimed at both the volunteer and professional emergency services sectors. AEMI products are delivered on a partial-cost recovery basis, with targeted fee exemptions for volunteers and local government.

A range of courses are designed to improve community engagement and the management of volunteers in emergency management, educate small business to develop and maintain business continuity plans, and improve risk-based land-use planning, for example.

Every year, approximately 3000 emergency management professionals from across Australia use AEMI's specialised educational services, while thousands use the extensive range of information products and services off-site and online via the Australian Emergency Management Knowledge Hub.<sup>44</sup>

The Australian Emergency Management Knowledge Hub commenced operation in 2012, and is a virtual and actual knowledge environment, with access to resources in the Australian Emergency Management Library. It provides information on current and historical disasters and provides ready access to evidence-based research, leading to improved policy development, decision-making and best practice in the emergency management sector. The Hub also supports a social media platform, to date including online forums, a blog, and Twitter.

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<sup>44</sup> Australian Emergency Management Knowledge Hub: <http://knowledge.em.gov.au/>

# Attachment B – Australian Government financial contributions to operational response<sup>45</sup>

## National Aerial Firefighting Arrangements

The National Aerial Firefighting Centre Ltd (NAFC) is a joint company formed by the states and territories in association with the Australasian Fire and Emergency Service Authorities Council Inc. (AFAC). NAFC is responsible for the national coordination of resources and sharing of aerial firefighting equipment between jurisdictions. The NAFC ensures that the type, timing and location of aircraft is managed to address the immediate and seasonal fire risks across Australia.

The objectives of the NAFC are to:

- support collaboration and cooperation between members with respect to the sharing of resources and information for the purposes of fire and emergency management, and
- coordinate and manage the acquisition and deployment of fire and emergency resources and logistical support on behalf of members in order to benefit the community.

As aerial firefighting resources are expensive and highly specialised, the NAFC allows for improved performance and economies of scale that could not be achieved if individual states and territories were to purchase and manage their own aerial firefighting assets.

The Australian Government contributes approximately \$14.5 million per year for the leasing, standing and positioning of the aircraft. The states and territories also provide funding for these purposes and for the substantial costs of operating the fleet. This successful and proven emergency management capability model has resulted in a significant increase in aerial firefighting capability and capacity across the country.

## Emergency Alert

Emergency Alert is the national telephone-based emergency warning system that state and territory emergency services use to send warning messages to landlines and mobile phones.

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<sup>45</sup> A range of other state and territory operational capabilities that contribute to resilience have also been supported through the NEMP grants programme. The NPA on the NDRP also makes provision for states and territories to support the ongoing costs of operational capability that improves disaster resilience.

COAG agreed to the development of this world-first capability following the 2009 Victorian bushfires.<sup>46</sup>

Since its launch, Emergency Alert has been used on more than 1200 occasions to deliver over 10.8 million messages across all states and territories.

The Australian Government contributed close to \$60 million towards the development and implementation of Emergency Alert. The Victorian Government, the project lead for Emergency Alert, contributed approximately \$8 million towards the development and roll-out of the location-based capability.

As owners and operators of the capability, states and territories are responsible for the ongoing operational costs associated with the capability, including any capital that might be required to maintain or develop the system. As existing contracts with telecommunications carriers are due to expire in December 2015, the states and territories are considering options for the future management and funding of Emergency Alert.

The Location Based Number Store (LBNS) is the primary data source that enables Emergency Alert to send warnings to mobile phones and landlines based on the registered service address of the subscriber. The Australian Government manages the contract for the LBNS. Forward Estimates include approximately \$1.7 million per year from 2013–2017 to continue funding the LBNS.

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<sup>46</sup> COAG *communiqué*, 30 April 2009, <http://www.coag.gov.au/node/288>.

# Attachment C – Recovery programmes funded by the Australian Government

## Natural Disaster Relief and Recovery Arrangements (NDRRA)

The *NDRRA Determination 2012* outlines the types of relief and recovery assistance that may be cost-shared, the criteria for that assistance (eligibility), as well as the terms and conditions the states and territories must meet to access Australian Government funding. The NDRRA Determination also establishes the method to determine the quantum of funding the Australian Government contributes to a state or territory, which is up to a maximum of 75 per cent of eligible state and territory recovery expenditure.

Under the NDRRA, the Australian Government can seek further information from the states and territories to ensure compliance with the guidelines and it can refuse reimbursement if it does not consider expenditure to be eligible. Since December 2012, the NDRRA has provided that, where the total cost of an asset reconstruction or restoration project is greater than \$1 million, prior to commencement of the reconstruction project, states and territories are required to seek agreement from the Australian Government that the asset is an essential public asset.<sup>47</sup>

Payments to states and territories under the NDRRA are made from the special appropriation outlined in the *Federal Financial Relations Act 2009*. Expenditure is driven by demand and the Australian Government's financial liability is uncapped. No provision is made in the Budget for future disasters—forward estimates only provide for events that have already occurred.

Following the 2010–11 Queensland floods and Tropical Cyclone Yasi, the Australian Government, through the NDRRA, entered into the National Partnership Agreement (NPA) for Reconstruction and Recovery with the Queensland Government. The NPA provided new oversight and accountability measures to ensure value-for-money of reconstruction was being achieved in the rebuilding of disaster-damaged essential public infrastructure.

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<sup>47</sup> Before December 2012, states and territories could make this determination regardless of the project cost.

## Australian Government recovery payments to individuals

The Australian Government provides financial assistance directly to individuals affected by natural disasters through the AGDRP and the DRA. Both payments have a legislative basis in the *Social Security Act 1991*.

The Australian Government considers expenditure for the AGDRP and DRA, including the payment to New Zealand non-protected Special Category Visa (SCV) holders, a contingent liability. Consequently, no provision is made in the Budget for future disasters, and forward estimates will only provide for events that have already occurred.

The Attorney-General's Department uses an evidence-based assessment methodology for both payments to ensure appropriate and consistent activation of assistance.<sup>48</sup> The Attorney-General's Department implemented a set of Disaster Assessment Tools in 2012 to bring together information on the impact of an event and inform advice on whether it constitutes a major disaster. The system is an evidence-based methodology that builds a profile of an event and its impact on a community through the use of quantitative and qualitative data. The majority of this data is sourced from the jurisdiction that has experienced the event, and it can take some days to acquire.

### **The Australian Government Disaster Recovery Payment (AGDRP)**

The AGDRP was introduced in 2006 to provide an immediate one-off Australian Government payment to individuals adversely affected by a major disaster (including onshore and offshore natural and non-natural events). The AGDRP is intended to complement assistance provided through Category A of the NDRRA.<sup>49</sup>

A non-means tested single payment rate of \$1,000 per eligible adult and \$400 per eligible child is currently specified in legislation. The responsible Minister has some flexibility to alter the rate before each financial year, but there is no flexibility to specify different rates of payment for different circumstances.

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<sup>48</sup> This addresses concerns that the DIRS was considered to lack consistent activation largely due to activation being at the discretion of the Prime Minister and/or Cabinet.

<sup>49</sup> Assistance made available through Category A of the NDRRA varies nationally between: in-kind support to provide basic, subsistence needs and/or to replace essential household items; cash payments; conditional cash payments, including funding for temporary accommodation; or, a combination. The cash payments to individuals are generally significantly lower than that provided through the AGDRP.

In recent years, the AGDRP has been provided to those who have been severely affected, including where:

- the person is seriously injured
- the person is an immediate family member of an Australian who is killed, or
- the person's principal place of residence has been destroyed or has sustained major damage.

It has also been provided to those who have been only moderately affected, including where:

- the person is unable to gain access to his or her principal place of residence for at least 24 hours
- the person is stranded in his or her principal place of residence for at least 24 hours; or
- the person's principal place of residence was without a particular utility service for a continuous period of 48 hours.

For all activations since October 2013 (including the October 2013 New South Wales bushfires), the AGDRP has only been provided to individuals severely affected by a disaster.

When delivering the AGDRP, claims are processed rapidly with a low level of evidentiary requirements from customers. This is a conscious policy decision, where the intent is to get recovery money to affected people as quickly as possible. The Department of Human Services detects and investigates potential fraud matters and refers any involving criminal intent to the Commonwealth Director of Public Prosecutions, who decides whether to prosecute. In addition, Human Services acts to recover any overpayments that arise, whether as a result of fraud or otherwise.

### **Disaster Recovery Allowance (DRA)**

The DRA provides short-term income support to people with a demonstrated loss of income as a direct result of a major disaster. The DRA came into effect on 1 October 2013 and replaced the former ex gratia DIRS.

The Minister for Justice may activate the DRA for events of national significance where assistance in the form of income support is required. In making this decision the Minister considers the extent to which the nature or extent of the event is unusual, and the extent of disruption to the workforce.

The DRA is paid for up to 13 weeks. Recipients may work when possible throughout the 13-week period and their payment rate is the difference between their actual post-disaster earnings and their projected earnings based on pre-disaster income. The DRA payment is capped at a maximum rate equivalent to the Newstart or Youth Allowance. If after 13 weeks

the individual is still suffering hardship from loss of income, they may apply for another income support payment such as the Newstart Allowance.

The DRA takes into consideration that the full impact of a disaster is often not felt immediately and that sometimes the economic effects of a disaster are delayed. For this reason, and to allow adequate time for applications, the claim period for the DRA is six months after the disaster.

The DRA is taxed and subject to beneficiary tax offsets, consistent with other social security payments.

## **Other recovery support provided by the Australian Government**

The Australian Government also contributes to community recovery through the provision of ongoing mainstream payments, programmes and services, including:

- income support payments, where a person's circumstances have changed as a result of an emergency. The *Social Security Act 1991* contains provisions that operate to prevent unintended means test impacts for income support recipients following natural disasters. These provisions enable emergency relief payments, or like assistance, and insurance and compensation payments for damage to buildings, plant or personal effects, to disaster victims receiving income support to be exempted from income test and/or asset testing
- emergency relief and financial counselling services, community mental health services, family and relationship services, and support to culturally and linguistically diverse communities
- business continuity payments for child care benefit approved services and Special Child Care Benefit
- Veterans and Veteran's Families Counselling Service
- advice to pharmacists supplying PBS medicines to patients in affected areas that have lost their scripts or entitlement cards, and access to information and online or phone-based counselling
- support for small businesses and industry, and
- financial assistance grants to local government.

Volunteers and individual and corporate philanthropy also provide critical resources to support community response and recovery. A community that freely gives of its time and financial

resources is one with a stronger social fabric and more social capital—key underpinnings of strong, resilient communities.

The re-established Community Business Partnership will bring government, community and business leaders together to develop practical strategies to unlock Australia's full potential for philanthropy and continue to support and grow Australia's already strong volunteering culture.

## Appendix i – NEMP projects FY2013–14

Project Name	Description	Agency
National Impact Assessment Framework – Phase 2	Delivery of the National Impact Assessment Framework through the development of an electronic system for consistent collection of impact and recovery data across jurisdictions and impact assessment, and measurement of effectiveness and value for money of relief and recovery assistance using data collected by the Framework.	Northern Territory Department of the Chief Minister
Emergency Communication Service (Triple Zero) Policy, Framework and Standards	Delivery of a (recommended) governance framework to fund, monitor, identify, prioritise, and/or coordinate delivery of the Emergency Communication Services (ECS) to support Next Generation Triple Zero (NG000).	New South Wales Police
National Emergency Risk Measurement and Mitigation Programme	Support for states, territories and the Australian Government to: <ul style="list-style-type: none"> <li>• evaluate the cost of natural disasters to Australia</li> <li>• access data and information to assist with the risk assessment process, and</li> <li>• assess cost-effective risk treatment options.</li> </ul> This project builds on previous national work developing the NERAG.	South Australian Fire and Emergency Services Commission
National Work Programme for Flood Mapping (NWPFM) Project 6	Implementation of Project 6 of the National Work Programme for Flood Mapping. This will identify existing data sets (elevation data, building floor height data, stream gauging, rainfall data etc.), including data sets from the private sector that would enhance the utility of flood risk modelling and mapping.	South Australian Fire and Emergency Services Commission
2013–14 National Triple Zero Awareness Programme (2 projects)	Expansion of the current pilot Apple/iOS app (assisting callers who have an emergency connect to the correct agency – SES, Police Assistance Line or Triple Zero) to include Android devices. The project will also develop a Teachers' Guide to support the "Triple Zero Kids' Challenge" on-line safety game for primary school-aged children.	Fire and Rescue New South Wales – on behalf of the National Triple Zero Awareness Work Group
Volunteer initiatives contributing to the implementation of the National Emergency Management Volunteers Action Plan 2012 (4 projects)	Delivery of a range of outcomes addressing three of the five priority focus areas under the National Emergency Management Volunteer Action Plan (NEMVAP) 2012, including initiatives to develop volunteer leaders, increase interest in emergency management volunteering, and facilitate portability of training qualifications across jurisdictions and between organisations.	Surf Life Saving Australia, Australian Red Cross and St John Ambulance – on behalf of the Australian Emergency Management Volunteer Forum

National Registration and Inquiry System	Funding for the first year of operating costs for the new National Registration and Inquiry System software and operational business processes.	Australian Red Cross
NERAG Online Training Course	Development of a host for the online training course for the NERAG, allowing jurisdictions and registered training organisations to access the course and use it to train risk management practitioners.	South Australian Fire and Emergency Services Commission
Research for a new national Fire Danger Rating System (FDRS) for Australia	Development of the framework for the new FDRS to improve the ability of fire and emergency services agencies to warn the public about fire dangers and support fire detection decision-making.	Bushfire and Natural Hazards Cooperative Research Centre
Review of National Warning Framework	Review of jurisdictions' development and delivery of emergency warnings to Australian communities during emergencies, to enable jurisdictions and emergency services organisations to continue to develop a picture of best practice and enhance emergency warnings.	Fire Services Commissioner, Victoria
Capability Development Sub-Committee (CDSC) Project Officer	Continued support for CDSC activities. The CDSC Project Officer will progress <i>National Strategy for Disaster Resilience</i> priorities as directed by ANZEMC around capability development.	Department of Community Safety, Queensland
Community Engagement Sub-Committee (CESC) Project Officer	Continued support for CESC activities. The CESC Project Officer will progress several <i>National Strategy for Disaster Resilience</i> priorities of ANZEMC, including increasing engagement with the private and third sector and improving resilience of vulnerable sections of society (Indigenous and Culturally and Linguistically Diverse communities, children and youth, the elderly, and people with disability).	Department of Police and Emergency Management, Tasmania
Risk Assessment, Measurement and Mitigation Sub-committee (RAMMS) Project Officer	Continued support for RAMMS activities. The RAMMS Project Officer will progress several <i>National Strategy for Disaster Resilience</i> priorities of ANZEMC around risk and flood mapping.	South Australian Fire and Emergency Services Commission
Recovery Sub-Committee (RSC) Project Officer	Continued support for RSC activities. The Recovery Sub-Committee Project Officer will drive the RSC implementation plan of COAG's recommendations for the 2011 <i>Review of Relief and Recovery Payments</i> to enable better targeting and greater national consistency of activation of relief and recovery assistance.	Justice and Community Safety Directorate, Australian Capital Territory

## Appendix ii – Examples of NDRP projects

Project Name	Description	Agency	Year
ACT Now	ACT Now is an online, interactive portal built to encourage ACT citizens to take practical steps to become more self-reliant and resilient to natural disasters.	Green Cross Australia	2012–13
Victorian Earthquake Risk Map	The Victorian Earthquake Risk Map provides a critical framework for disaster management planning and design of energy, commercial and housing projects across the state.	University of Melbourne	2012–13
Kerang Township Levee Upgrade	The Kerang Township Levee Upgrade has enabled the construction of levees along three sections of roads to protect the town in the event of 1 in 100 year flood.	Gannawarra Shire Council	2012–13
Development of a field based bush fire fuel assessment method for NSW and fuel accumulation curves for priority vegetation types	NSW Rural Fire Service - State Emergency Management Projects, NSW (FY2012–13) This project seeks to provide: <ul style="list-style-type: none"> <li>• more accurate fire behaviour predictions in emergencies, better assessment of bush fire hazards and better information for risk management planning,</li> <li>• protection to communities in bushfire prone areas through a more accurate measure of bushfire fuels and a better understanding of bushfire fuel accumulation, and</li> <li>• increased safety of firefighters through more accurate fire behaviour prediction.</li> </ul>	NSW Rural Fire Service	2012–13
Wonboyn Village/ Nadgee Protection Work	The Wonboyn Village / Nadgee Protection Work has enabled: <ul style="list-style-type: none"> <li>• construction and maintenance of fire breaks along a number of roads and trails,</li> <li>• road maintenance,</li> <li>• bridge maintenance, and</li> <li>• construction of helipads</li> </ul>	Forests NSW	2012–13
Harden up	HardenUp.org builds community resilience through a science-based, corporate resourced community online platform that encourages Queenslanders to: <ul style="list-style-type: none"> <li>• visualise and assess their hazard exposure</li> <li>• take practical measures to build self-reliance including community participation, and</li> <li>• share their journey across social networks, including through recovery where energy efficient choices will be encouraged.</li> </ul>	Green Cross Australia	2010–11
Indigenous Community Service and Emergency Announcements Programme	The Indigenous Community Service and Emergency Announcements Programme provides remote Indigenous communities throughout the Northern Territory with community service announcements and emergency messages for natural disasters in their own languages.		2009–10

