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14 October 2014

Natural Disaster Funding Inquiry
Productivity Commission
Locked Bag 2
Collins St East
Melbourne VIC 8003

Dear Commissioners,

Re: Draft report of Productivity Commission inquiry in Natural Disaster Funding

This supplementary submission to the Productivity Commission inquiry into *Natural Disaster Funding* has been prepared by the National Sea Change Taskforce Inc. (the Taskforce). The Taskforce welcomes the draft report of the Productivity Commission inquiry and welcomes the opportunity to provide this supplementary submission in relation to the draft.

Institutional and governance arrangements

The draft report recommends that *'increased mitigation funding should be conditional on matched funding contributions from the states and territories and best-practice institutional and governance arrangements for identifying and selecting mitigation projects'*. The Taskforce contends that an essential element of such best-practice institutional and governance arrangements would be a more clearly defined decision-making framework which enables local government authorities to participate effectively in the process of identifying mitigation priorities.

As the draft report observes, there is a lack of consistency between the various jurisdictions in relation to mitigation and that *'responsibility for mitigation often falls across multiple agencies and different levels of government'* (p.349) and further that *'these activities may not be identified explicitly as mitigation or funded through mitigation-specific funding programs.'*

It is the view of the Taskforce that this Productivity Commission inquiry is an opportunity to recommend institutional and governance arrangements that would address this lack of consistency, and that it would be appropriate for the inquiry to make such a recommendation.

Accordingly, the Taskforce proposes a recommendation that the Australian Government play a leadership role in developing a coordinated national approach to natural disaster mitigation, resilience and recovery by adopting the following policy initiatives:

- A collaborative national approach to natural disaster funding, involving all three tiers of government, through the COAG Law, Crime and Community Safety Council or a relevant Ministerial council;
- An intergovernmental agreement defining the roles and responsibilities of each tier of government in relation to natural disaster planning and funding.

Such a national decision-making framework would address a deficiency identified in the 2013 Productivity Commission inquiry into *barriers to effective climate change adaptation* which stated: *'Recent reviews have found that inadequate definition of roles and responsibilities contributed to shortcomings in emergency management that affected the community's response to natural disasters.'*

Increased focus on mitigation

The draft report observes that *'Governments generally overinvest in post-disaster reconstruction, and underinvest in mitigation that would limit the impact of natural disasters in the first place.'*

The report proceeds to recommend (3.1) that *the Australian Government should reduce its marginal cost sharing contribution rate to disaster recovery outlays to 50% under the Natural Disaster Relief and Recovery Arrangements,* and that it should *'increase the triggers for Australian Government assistance (small disaster criterion and annual expenditure threshold).'* The draft report also recommends (3.2) that *'If the Australian Government reduces the relief and recovery funding it provides to state and territory governments, it should increase annual mitigation expenditure gradually to \$200 million, distributed to the states and territories on a per capita basis.'*

The Taskforce supports the recommendation that the annual mitigation expenditure be increased to \$200 million, but proposes that the nexus between Recommendation 3.1 and Recommendation 3.2 be strengthened to make the adoption of Recommendation 3.1 conditional on the adoption of Recommendation 3.2. This would reduce the possibility that the reduction in Australian Government relief and recovery funding to the states and territories could be adopted in the absence of the proposed increase in annual mitigation expenditure.

Transitional arrangements

The terms of reference for the inquiry request the Commission to investigate the medium- and long-term impacts of reform options on the Australian economy and costs to governments, and to consider the transitional and implementation issues of proposed reforms.

The draft report notes (Vol 1 p.149) that *'the Commission's preferred reform option (option 2) does not require large-scale change in governance and institutional frameworks.'* It goes on to state that *'time and resources would be needed to establish the estimation methods for damage assessment and benchmark prices and to put in place the insurance arrangements.'* The report further states that *'it is likely that further development and tailoring would be required. A range of government bodies across all three levels of government would need to be involved in the development of these methods.'*

The Taskforce supports the view that a national coordinated and collaborative approach, involving all three levels of government, is required to implement any proposed reforms to natural disaster mitigation, resilience and recovery arrangements. The Taskforce therefore proposes that this task is undertaken by the COAG Law, Crime and Community Safety Council or a relevant Ministerial council, as proposed earlier, or by an intergovernmental transitional committee, with appropriate representatives of each jurisdiction and local government, established specifically for the purpose.

The proposed governance model would be similar to the approach adopted by the Canadian Government in establishing the Canadian National Disaster Mitigation Strategy, which is aimed at addressing that nation's previous piecemeal approach to mitigation *'by concentrating informed decision-making in an effective framework.'*

The Taskforce believes such an approach would be essential in order to effect a seamless transition from existing natural disaster relief and recovery arrangements to any new arrangements adopted by the Australian Government.

Yours sincerely,

Barry Sammels
Chair, National Sea Change Taskforce and Mayor, City of Rockingham