
Natural Disaster Funding Arrangements Submission
Email response to: disaster.funding@pc.gov.au

Productivity Commission Draft Report Inquiry
Natural Disaster Funding Arrangements
Comments Submitted by Peter J Stewart

I am a professional engineer with over 40 years experience in combustion, pyrolysis, gasification and industrial fire related safety management systems, I have also lived in a fire prone area of the Perth Hills for the past 38 years. Bushfires and mitigation are the primary focus of this commentary.

It is not understood why the draft report from the Commission chose to group deaths of, and injuries to, Australians as intangible or non market costs. See Figure 2, page 8. Data on these costs are readily available from industry which specifically insures against the loss. The protection of its citizens must be a government's number one priority, most of our institutions and regulatory systems are concerned with the protection of life, limb and maintenance of health of all Australians.

Whilst the institutions of our society have grown organically and formulated rules and regulations in response to the expectations of communities, they have done so based on the value of life or cost of injury or burden of disease. Commercial endeavours have a similar obligation in order to maintain their social license to operate. The expectation that one will go to work and return uninjured is commonly held in western society, yet the work environment will vary according to the tolerability of the risk, or as the report puts it, the risk appetite of the community.

Safety Management Systems are developed with a macro template that determines the communities risk appetite for a death and applies a value of statistical life to design the safety management system within acceptable limits. Today in Australia this may be in the order of \$10 Million per statistical life lost. The Productivity Commission should be aware of the Australian Government's Department of Finance, Office of Best Practice Regulation's 2008 document titled "Best Practice Regulation Guidance Note – Value of Statistical Life". The static 2007 value of \$3.5 Million is low, however, when applying the estimate on the chosen example, the regulatory impact on saving lives provides a future years benefit (from three lives) becomes \$103 Million over a nine year period. How would this apply to the nearly 200 Australian lives lost to bushfires from 2009 to 2013? One doubts if the Victorian government's appetite for bushfire risk has increased since 2009?

The Report's draft Recommendation 4.4 should go further. Following the ... "State governments should: ... provide local government with guidance on how to integrate land use planning and building standards. Consideration should be given to Victoria's *Integrated Planning and Building Framework for bushfire* in this regard" ... should be added ... "The application of the bushfire fuel mitigation strategy for Building Protection Zones and Hazard Separation Zones defined in Australian Standard AS3959 should be applied and maintained to legacy housing in bushfire prone areas.

It is said that he who owns the fuel owns the bushfire; the largest fuel owner in the country is the Crown. Were Government to ignore this obligation, a damaging sovereign risk results.

Perth, October 21, 2014