



HAWKESBURY-NEPEAN FLOOD MITIGATION ACTION COMMITTEE !

Natural Disaster Funding.,

18th October 2014

Productivity Commission,

LB2 Collins Street East,

Melbourne, Victoria 8003 .

Dear Commissioners,

RE: Productivity Commission Inquiry into Natural Disaster Funding arrangements.

. Comments on the Draft Report !

We wish to congratulate the Commissioners for the excellent effort they have made to investigate the importance of the urgent need for mitigation of the effects caused by national disasters before rather than after the event.

The important key points you have identified which have impressed us are as follows:-

- Australia is exposed to natural disasters on a recurring basis. Effective planning and **mitigation of risks** is an essential task for governments, businesses and households.
- Current government natural disaster funding arrangements are not efficient, equitable or sustainable. They are prone to cost shifting, ad hoc responses and short-term political opportunism. Groundhog Day anecdotes abound.
- The evolution of the funding arrangements can be characterized by growing generosity by the Australian Government during the previous decade, followed by a swing to constrain costs and increase oversight after the recent concentrated spate of costly disasters.
- Governments generally overinvest in post-disaster reconstruction, and **underinvest in mitigation** that would limit the impact of natural disasters in the first place. As such, natural disaster costs have become a growing, unfunded liability for governments, especially the Australian Government.
- Australian Government post-disaster support to state governments needs to be reduced, and **support for mitigation** increased. Some budget provisioning is also needed.
 - The Commission's preferred funding reform option is to provide a principal level of support to states commensurate with relative fiscal capacity and the original 'safety-net' objective, with the option of top up insurance for those states that require it.
 - States need to shoulder a greater share of natural disaster recovery costs to provide them with more autonomy and a **sharper incentive to manage, mitigate and insure these risks.**
 - Australian **Government mitigation funding** to states should be increased.
- Governments have a role in providing emergency relief payments to individuals who have been seriously affected by natural disasters, to avoid immediate economic and social hardship. Reducing duplication, inconsistency, inequity and inefficiency in the provision of such relief is needed.

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- Governments can also do better in terms of policies that allow people to understand natural disaster risks and have incentives to manage them effectively.
 - Information is critical to understanding and managing natural disaster risk. Information on hazards and risk exposure has improved significantly in recent years, but there are opportunities to improve its consistency, sharing and communication.
 - Regulations affecting the built environment have a significant influence on the exposure and vulnerability of communities to natural hazards. While building regulations have generally been effective, there is evidence that land use planning is not always incorporating natural disaster risk. Greater transparency is needed.
- Insurance is an important risk management option, especially for private assets. Households and businesses should be relied upon to manage natural disaster risks to their assets. Insurance markets in Australia for natural disaster risk are generally working well. Pricing is increasingly risk reflective, even to the individual property level.

- **Raising Warragamba Dam wall in New South Wales by 23 m would reduce the net present value of flood costs from \$4.1 billion to \$1.1 billion over the period 2013 – 2050 with an estimated benefit – cost ratio of between 2.2 and 8.5 [Box 5.4 on page 343." Examples of cost – benefit analysis of mitigation projects"].**

This further emphasises the urgent need for a flood mitigation project to be implemented in the Hawkesbury – Nepean river Valley of Western Sydney downstream of Warragamba Dam. The financial savings are enormous for both the Australian and NSW governments who should fund the project immediately on a 50-50 basis.

We fully support the recommendations of the productivity commission and respectfully request that an urgent action plan be adopted.

Yours sincerely,

John Miller,
Communications Officer