

ACT Government

Submission to the

Productivity Commission on its

Draft Report on

Natural Disaster Funding Arrangements

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FOREWORD

The ACT Government thanks the Productivity Commission for the opportunity to comment on its Draft Report on Australia's Natural Disaster Funding Arrangements.

The ACT Government reiterates the observations and recommendations detailed in its initial submission to the Productivity Commission dated June 2014 and notes that a number of these have been addressed in the Draft Report.

This submission addresses the key issues outlined by the Productivity Commission, and comments in particular on the three options identified for reforming Australian Government post-disaster support.

Katy Gallagher

Chief Minister

October 2014

Executive Summary

The ACT Government notes the key issues identified by the Productivity Commission in respect of Australia's natural disaster funding arrangements, and particularly expenditure on natural disaster mitigation, resilience and recovery. The following observations are noted:

- Governments overinvest in post-disaster reconstruction and underinvest in mitigation such that the overall costs are a growing and unfunded liability for governments, and in particular the Australian Government.
- Current government natural disaster funding arrangements are not equitable or sustainable.
- Consequently, the quantum of the Australian Government's post-disaster support to states and territories needs to be reduced and mitigation support increased.
- A reduction in the duplication and inconsistency in the provision of emergency relief payments to affected individuals is necessary.
- Governments can better inform people of natural disaster risks and encourage them to manage those risks more effectively.
- Insurance is an important risk management option.

The ACT Government reiterates the issues raised and recommendations made in its submission to the Commission in June 2014. In particular, the ACT Government strongly supports a commensurate increase in funding for mitigation measures.

In relation to post disaster support, the ACT Government supports an amended Option One for the ACT under the Commission's proposed funding options.

Option 1 amendment for the ACT:

- Maintain the small event threshold at \$240,000.
- Maintain the current NDRRA cumulative threshold at 0.225% of state revenue.

All other reform options under Option 1 are supported.

General

The ACT Government has invested significantly in disaster mitigation through whole of government programs and governance arrangements under the auspices of the *Emergencies Act 2004*, the associated Emergency Plan 2014 and related sub plans. A key sub-plan is the Strategic Bushfire Management Plan (version 3) current as at September 2014.

Since 2003-04, all Territory assets, including essential public assets and roads, are insured under the terms of the Insurance Indemnity and the Industrial Special Risk Indemnity for fortuitous loss, damage, or destruction of property and consequential loss.

Prior to, and since, the 2003 bushfires, the ACT has not met the criteria for Category B assistance and, despite severe storms and other disasters, has received no consequential assistance from the Australian Government.

The ACT Government supports an appropriate revision of the Australian Government's disaster funding arrangements under the NDRRA, as outlined in the Commission's report. This is particularly given that the frequency, severity and impact of natural disasters is unpredictable and the aftermath costs unquantifiable.

Additionally, the Australian Government should continue with, and enhance, its assistance to states and territories to promote and facilitate community, business and government resilience, and enhance emergency management capability across the full prevention, preparedness, response and recovery spectrum.

The Commission's Proposed Options

The ACT Government supports the objectives of the Productivity Commission to reduce the Australian Government's financial contribution to disaster recovery, and encourage further state and territory financial contributions. This may also achieve the benefit of encouraging enhanced private sector risk management.

To the extent that the ACT has not accessed Australian Government funding under the current first threshold since 2003, the increased composite threshold under Options One and Two, barring any future natural disaster, would place this even further beyond our reach.

Option Two, the Commission's preferred option, is not attractive to the ACT Government given the ACT's comprehensive insurance arrangements (100%) for its assets.

Funding under Option 3, based as it is on the cost of a single event, is not preferred as there is no recourse for smaller regular disasters.

Of the three, the ACT Government's preference for reforming post-disaster support would be for Option One with the following amendments. These amendments are based on;

- The ACT's 100% comprehensive insurance arrangements;
- The low receipt of Commonwealth reimbursement of \$16,028,000 since 2002;
- No NDRRA claims since 2005; and
- The ACT's preference for increased pre-disaster expenditure not post-disaster funding.

Option 1 amendment for the ACT:

- Maintain the small event threshold at \$240,000.
- Maintain the current NDRRA cumulative threshold at 0.225% of state revenue.

All other reform options under Option 1 are supported.

Funding for Mitigation/pre-disaster expenditure

The ACT Government strongly supports a commensurate increase in the amount of funding provided for mitigation. Matched funding arrangements should include provisions for in-kind and human resource costs. Public-private partnerships, including with insurance providers, merits further consideration, particularly where this encourages more comprehensive risk assessments by private sector owners and operators and adjusted premiums from insurers.

Investment in mitigation would enhance the overall resilience of the community and business through information exchange, cooperation and coordination, and greater ownership of outcomes and preparedness capability.

This would promote resilience to be a shared commodity between government and the community.

Conclusion

The ACT Government applauds the Commission for its research and analysis of the current issues surrounding the cost of natural disasters and the financial support provided by the Australian Government, and by implication the overall role and responsibilities of, and contributions by, states and territories.

The ACT Government acknowledges the necessarily homogenised nature of the Commission's responses to its terms of references and the options it has developed and understands that these will be acceptable in parts to most jurisdictions.

For the ACT, little will change with regard to any post-event natural disaster financial assistance from the Australian Government, given the proposed increased thresholds.

Australia would, as a whole, benefit from increased support from the Australian Government for disaster mitigation and a national approach involving the community, business and government sectors to resilience.