

Chapter 2

Views on the bill

2.1 The committee received three submissions to the inquiry. Submitters focussed on the establishment of an Australia Fund.

Support for establishing an Australia Fund

2.2 The bill seeks to establish a Joint Parliamentary Committee to investigate establishing an Australia Fund. The Explanatory Memorandum notes that:

Such a fund would be designed to assist in the support and reconstruction of Australian rural and manufacturing industries in times of crisis, including natural disasters (such as drought, floods and bushfires) or in cases of a world financial crisis or unfair market intervention or manipulation.¹

2.3 Regional Development Australia Barwon South West (RDA BSW) supported the establishment of the Australia Fund to support regional businesses to respond or adjust to economic shocks as a result of crisis events. It explained further:

Australia's regions produce approximately 40 per cent of the national economic output. The Australian Government plays an important role in building resilience and flexibility to support this significant national economic contribution. Whilst regional and rural economies may suffer disproportionately during adverse external shocks, with exacerbated negative effects on employment security, income and living standards, there are also implications for the national trade balance. If, for example, productive capacity is reduced by disaster damage, exports decrease, the trade balance may weaken, and localised inflation may increase.

Historically, the high economic losses inflicted by natural hazards and man-made threats in the recent times together with the expected impacts of future potential events, make resilience against disasters a key policy objective.²

2.4 Regional Development Australia Pilbara (RDA Pilbara) supported the establishment of an Australia Fund noting that although there are existing government programs to designed to assist 'the viability of rural industry...these do not specifically address the needs of businesses or communities in times of crisis.'³

2.5 RDA Pilbara proposed the following measures:

From the perspective of the structure of the Pilbara economy and its cyclical nature the following measures...are strongly supported by RDA Pilbara to reduce the business risks for the SME sector and encourage expansion and diversification:

1 *Explanatory Memorandum*, p. 1.

2 Regional Development Australia Barwon South West, *Submission 2*, p. 4.

3 Regional Development Australia Pilbara, *Submission 1*, p. 14.

- Loan money to businesses, act as a guarantor for loans, capitalise or waive interest, purchase existing bank loans, and assume control of relevant property of the business for a specified time.
- In this way, the Fund would be designed to enable businesses to continue operations to earn revenue, employ workers and pay taxes, rather than be prematurely wound up, and support communities affected by natural disasters, or sharp declines in economic activity as a result of significant commodity price falls.
- Provide funds for industry and/or company restructuring and the acquisition of new technologies to make businesses more economically viable and internationally competitive.
- Review existing bankruptcy and insolvency laws with the aim of introducing legislation designed to assist companies to trade through difficult times, rather than be closed down.
- On the basis of an assessment of the industry and/or businesses, to provide emergency and ongoing drought/flood/bushfire relief for the livestock and agricultural industries in the Pilbara.⁴

2.6 The Australian Local Government Association (ALGA) discussed the need to find the right balance of funding mitigation, relief and recovery if an Australia Fund were to be established. ALGA noted it supported any funding which can assist with the reconstruction of local communities and their industries in times of crisis:

However, ALGA strongly believes in prudent, up-front investment in mitigation measures with the objective of avoiding or minimizing recovery and reconstruction costs of disasters. Increased funding on natural disaster mitigation measures would reduce the call on Commonwealth and State funding for recovery in the longer term. It would also reduce the need to repeatedly rebuild communities following natural disasters.⁵

2.7 ALGA stated further:

Spending more on mitigation however should not be at the expense of reducing relief and recovery support. Even with increased investment in mitigation funding there will still be a need for funding for reconstruction and intervention. Key elements that should be considered in relationship to this funding are the timeliness of funding reaching communities in times of need, and the cost of delivering the funds. These factors need to be appropriately managed so as not to disadvantage communities compared to an alternative system of financial support.⁶

2.8 In its August 2017 report into Australia's general insurance industry the Senate Economics References Committee noted the 2015 Productivity Commission (PC) inquiry into National Disaster Funding Arrangements. In its investigation into

4 Regional Development Australia Pilbara, *Submission 1*, p. 14.

5 Australian Local Government Association, *Submission 3*, p. 2.

6 Australian Local Government Association, *Submission 3*, pp. 3–4.

options to achieve an effective and sustainable balance of natural disaster recovery and mitigation expenditure, the PC recommended, among other things, that:

Australian Government post disaster support to state and territory governments (states) should be reduced, and support for mitigation increased. Greater budget transparency and some provisioning is also needed.

- States need to shoulder a greater share of natural disaster recovery costs to sharpen incentives to manage, mitigate and insure against these risks. The Australian Government should provide a base level of support to states commensurate with relative fiscal capacity and the original 'safety net' objective of disaster recovery funding, with the option for states to purchase 'top up' fiscal support.
- Australian Government mitigation funding to states should increase to \$200 million a year and be matched by the states.
- These reforms would give state and local governments autonomy in how they pursue disaster recovery and mitigation. The reforms should be supported by performance and process based accountability mechanisms that embed good risk management.⁷

2.9 At the time of reporting, the committee noted that:

...the disproportionate spending between mitigation and post-disaster expenditure remains unchanged since the PC's final report. Federal mitigation spending was approximately three per cent of post-disaster expenditure in recent years. The PC noted that 'the reform imperative is greatest for states most exposed to natural disaster risk...'⁸

Committee view

2.10 The committee notes the Senate Economics References Committee observations from its prior inquiry into general insurance, that more needs to be done at the state level to ensure there are greater mitigation strategies put in place by state governments to help deal with natural disasters. The committee also notes that there are a number of programs in existence that are designed to support those suffering the impact of the drought. Further, the committee notes legislation to establish the Future Drought Fund is currently before the Parliament. The Future Drought Fund is intended to provide a secure revenue stream to be used for drought resilience, preparedness and response.⁹

7 Productivity Commission, *Natural Disaster Funding Arrangements—Inquiry Report*, Vol. 1, December 2014, p. 2.

8 Senate Economics References Committee, *Australia's General Insurance Industry: sapping consumers of the will to compare*, 10 August 2017, pp. 72–73.

9 Future Drought Fund Bill 2019, <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22legislation%2Fbillhome%2F6222%22> (accessed 27 March 2019).

2.11 As noted in chapter 1, the former Parliamentary Joint Select Committee on the Australia Fund Establishment tabled its report on 25 June 2015.¹⁰ The committee considers that establishing a parliamentary inquiry into matters which have been subject to a largely identical inquiry, with essentially identical terms of reference, is not the best way to support Australian communities and industries.

Recommendation 1

2.12 The committee recommends that the Senate not pass the bill.

Senator Jane Hume
Chair

10 Joint Select Committee on the Australia Fund Establishment, *Report*, June 2015.