

SENATE STANDING COMMITTEE ON LEGAL AND CONSTITUTIONAL AFFAIRS
ATTORNEY-GENERAL'S DEPARTMENT

Group 3

Program 1.6

Question No. 302

Senator Bushby asked the following question at the hearing on 24 February 2014:

1. On 20th December the Minister for Justice and the Treasurer announced the intention to establish a Productivity Commission inquiry into national disaster funding arrangements.
 - a. Can Treasury expand on the media release and explain why this review needs to happen?
 - b. Can Treasury outline if the current arrangements are unsustainable in relation to the budget?
 - c. Can Treasury provide an update of how the inquiry is progressing, and specifically advise if the States and Territories have been written to?
 - d. Can Treasury advise how much funding the Commonwealth provides for disaster relief and recovery compared to disaster mitigation?
 - e. Can the Treasury outline what the benefits would be to communities if there was a refocus on mitigation?
 - f. Can the Treasury outline what the potential benefits of a refocus on mitigation would be for the long term sustainability of the budget?

The answer to the honourable senator's question is as follows:

As the Attorney-General's Department has lead responsibility for Emergency Management at the national level this question has been referred to this Department for response.

a. Can Treasury expand on the media release and explain why this review needs to happen?

In the last five years, natural disasters around the country have claimed more than 200 lives and impacted hundreds of thousands of people. Natural disasters also have significant financial and economic costs. The impacts and costs of extreme weather events can be expected to increase in the future with population growth and the expanding urbanisation of coast lines and mountain districts near our cities. Many communities experience repeated disruptions from flood, cyclone and fire events. Some of these events are unforeseen and the damage is unavoidable, but in many cases the consequences of natural disasters could be mitigated.

However, current Commonwealth funding arrangements are heavily weighted towards disaster recovery. For instance, under the Natural Disaster Relief and Recovery Arrangements, the Commonwealth currently reimburses up to 75 per cent of the state and territory recovery bill after certain thresholds are met, at a cost to the Commonwealth of approximately \$12 billion for events since 2009.

The Productivity Commission recognised in its 2012 inquiry *Barriers into effective climate change adaptation*, that this imbalance in recovery and mitigation funding distorts the incentive for states, territories and local governments to invest in mitigation.

Due to the complexity of funding arrangements, the quantum of funds and the interrelationship with other Commonwealth grants, a review is necessary to develop options to achieve an effective and sustainable balance of natural disaster recovery and mitigation funding to build the resilience of communities.

b. Can Treasury outline if the current arrangements are unsustainable in relation to the budget?

The PC has been asked to examine the sustainability of current arrangements.

For any options proposed, the PC has been asked to identify the impacts on the Australian economy and costs for governments as compared to impacts of the current funding arrangements.

c. Can Treasury provide an update of how the inquiry is progressing, and specifically advise if the States and Territories have been written to?

On 28 April 2014, the Minister for Justice, the Hon Michael Keenan MP, launched the Productivity Commission inquiry into natural disaster funding arrangements.

The Productivity Commission has been asked to analyse the full scope of current Commonwealth, state and territory expenditure on natural disaster mitigation, resilience and recovery, taking into account the priority of effective natural disaster mitigation and the reduction in the impact of disasters on communities.

The Terms of Reference for the inquiry were developed in consultation with state and territory emergency management ministers, as well as the Australian Local Government Association (ALGA).

The Productivity Commission released an issues paper on 9 May 2014, inviting public submissions to the inquiry.

The Commission has been asked to deliver a draft report in September 2014 and a final report by end-2014.

More information on the inquiry, including a copy of the Terms of Reference and the issues paper, can be found at www.pc.gov.au.

d. Can Treasury advise how much funding the Commonwealth provides for disaster relief and recovery compared to disaster mitigation?

States and territories have primary responsibility for disaster management, including mitigation, response and recovery.

However, the Commonwealth provides significant financial assistance to support states and territories with the costs of recovery.

For example, under the Natural Disaster Relief and Recovery Arrangements (NDRRA), the Commonwealth currently pays up to 75 per cent of the state and territory recovery bill, at a cost to the Commonwealth of approximately \$12 billion for events that have occurred since 2009.

In addition, the Commonwealth has paid approximately \$1.2 billion since mid-2009 to disaster impacted individuals through the Australian Government Disaster Recovery Payment, the Disaster Recovery Allowance and its predecessor, and ex gratia payments.

The Commonwealth also works in partnership with states and territories to build disaster resilience and has provided approximately \$400 million since mid-2009 to resilience building, capability development initiatives and disaster mitigation initiatives.

As part of the 2014-15 Budget, the Government has also committed to provide \$15 million over three years to state and territory governments for a National Bushfire Mitigation Programme to implement long-term bushfire mitigation strategies and improved fuel reduction programmes.

e. Can Treasury outline what the benefits would be to communities if there was a refocus on mitigation?

The benefits associated with building the resilience of our communities and investing in disaster mitigation include: improved community safety and resilience, a reduction in damage to property and speedier recovery. The range of mitigation options are diverse and span both infrastructure and non-structural measures.

f. Can Treasury outline what the potential benefits of a refocus on mitigation would be for the long term sustainability of the budget?

We expect the Productivity Commission to explore this question. It would be premature to pre-empt any of the Productivity Commission's findings.