

31 March 2016

Joint Select Committee on Northern Australia
PO Box 6021
Parliament House
CANBERRA
Canberra ACT 2600

By email: jscna@aph.gov.au

RE: Northern Australia Infrastructure Facility Bill

Suncorp welcomes the opportunity to provide a submission on the Northern Australia Infrastructure Facility Bill (the Bill).

Executive Summary

Suncorp supports the Federal Government's plans for developing the capacity of northern Australia.

The Bill presents an opportunity to unlock major infrastructure investments in the region, and fund projects that have a significant positive impact on northern communities.

However, it is vital to ensure that development in northern Australia ensures the region is strengthened against major risks this part of Australia, namely cyclones.

To safeguard investments made through the NAIF, Suncorp believes resilience and natural disaster mitigation features should be a key consideration in projects approved for funding.

Suncorp also believes the model should be extended to provide government support for specific mitigation projects that would assist in making homes and communities in northern Australia more resilient to the significant impact of cyclones.

A government mechanism to support mitigation would ensure families, businesses and communities are better protected against the risks they face. Importantly, such a scheme would support the broader objectives of the NAIF, providing a substantial economic boost to the region in addition to realising the broader community benefits that come with resilience.

Why mitigation?

Australia is exposed to natural disasters on a recurring basis, with northern Australia especially prone to cyclones.

Suncorp has long championed redirecting a greater proportion of disaster funding toward mitigation over post-event reconstruction. The Productivity Commission's 2014 report into natural disaster funding in Australia supported this position, finding a significant over-spend in disaster recovery and under-investment in mitigation. The Commission found that only 3% of disaster funding is currently directed to prevention and mitigation activities.

Reducing the damage caused by natural disasters makes economic sense at both a community and household level. Flood levees are a proven example of infrastructure that can provide significant benefits for flood-prone communities. Urbis analysis¹ has shown that flood mitigation investments in the Queensland towns

of Roma and St George will deliver net benefits of \$64.7 million and \$25.7 million respectively over the next 50 years.

This infrastructure investment has also contributed to significant reductions in insurance premiums for residents in areas that were previously at risk of flooding.

Similarly, the Northern Australia Insurance Premiums Taskforce (the Taskforce) recognised in its final report that risk mitigation is the key to reducing cyclone damage and, in turn, lowering insurance premiums on a sustainable basis.²

How can we protect against cyclones?

In 2006, Cyclone Larry damaged homes in Innisfail, which were repaired or rebuilt subject to the new stronger building code. In 2011, when Cyclone Yasi again impacted Innisfail, rebuild costs were halved compared to homes in nearby areas that were largely built prior to new cyclone building standards.

The problem with current building standards is that they only apply to new homes.

Unless an older building has had significant repairs or upgrades, it is unlikely to meet current codes. James Cook University (JCU) analysis of Suncorp claims data (attached) showed that properties built in north Queensland prior to the introduction of modern building codes were more likely to suffer structural damage in the event of a cyclone.

Retrofits to strengthen homes against cyclones can significantly reduce the amount of damage caused when a cyclone hits. For example, Urbis research has shown that cyclone resilience retrofits save homeowners and the economy up to \$13 for every dollar invested. Some options would pay for themselves after one Yasi-like cyclone.

Retrofitting homes creates jobs and boosts local economies. It also helps communities become more socially and economically resilient when cyclones do hit. Reducing damage means that communities can return to normal life more quickly – minimising the ongoing social impact and allowing local businesses to continue operating. This was recognised by the Taskforce, which noted that “the broader community benefits from measures that reduce the vulnerability of a particular property to damage.”³

Suncorp’s *Build to Last* package (attached) demonstrates the significant value to be gained by making homes more resilient.

What are the barriers?

Strengthening homes makes financial sense, but there are barriers to widespread uptake. Additional incentives are required to help drive the creation of a market for mitigation.

While there is a strong return on investment for resilience activities such as the installation of roof strapping, these benefits may not be fully realised for many years if a damaging cyclone does not occur in the area. To overcome this barrier, Suncorp advocates for government investment in a large-scale retrofit program. A NAIF-style program to support homeowners in financing home upgrades would create a market for home retrofits and drive uptake.

Suncorp recently launched a Cyclone Resilience Benefit that provides an opportunity for individuals who have undertaken work to strengthen their homes against cyclones to receive a reduction on their premium. More than 4,000 Suncorp Insurance policies have been updated with information about whether individuals have resilience features in their home.

We now need to provide an additional helping hand to homeowners who have not strengthened their home but need to do so.

² Northern Australia Insurance Premiums Taskforce, *Final Report*, 2016, p57

³ Northern Australia Insurance Premiums Taskforce, *Final Report*, 2016, p57

How would it work?

Government sponsored mitigation programs have been highly successful internationally, and a similar model could be considered for northern Australia, either through the provision of grants or a loan scheme.

For example, the My Safe Florida Home program commenced in 2007. Inspections were undertaken on 400,000 single-family residential properties, and grants were provided to 35,000 applicants. The program averaged over 5000 sign-ups per day, with participating homeowners receiving a free wind inspection report with advice on how their home could be protected from storms and how much they could save on insurance premiums.

Suncorp would be pleased to provide further assistance and work with Government, relevant industries and other major stakeholders to design a similar scheme that can meet the needs of northern Australia's cyclone-prone communities.

Yours sincerely, 

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