

Senator Louise Pratt
Chair of Finance and Public Administration Legislation Committee
PO Box 6100
Senate
Parliament House
Canberra ACT 2600

Dear Senator Pratt,

We are writing to share our expertise to help the Committee you chair to ensure the maximum positive impact is obtained from the Emergency Response Fund Amendment (Disaster Ready Fund) Bill 2022.

We were heartened to read the Productivity Commission's Natural Disaster Funding Arrangements Report (Vol 2, page 350). In that report, the commission discusses the cognitive biases that affect how people understand natural disaster risk. As a society, we can tend to make myopic decisions based only on short-term costs and benefits, without regard for the long term. By analogy, society has a tendency to smoke and drink-drive—we can neglect small likelihoods of very bad outcomes. The Productivity Commission observed that such biases mean that people may not always make full use of available information, or may not make decisions that are in their long-term best interests.

Although we write in our personal capacity, we are both academic psychologists and effective altruists who focus on protecting future generations. We do that by driving evidence-informed decision making that helps others make good decisions in their own work and lives. We think our expertise can help the Committee recommend minor changes to the Bill. Those changes would ensure that the Productivity Commission's observations about biases are properly taken into account. These minor changes would then ensure that grants from the Emergency Response Fund are maximally effective in reducing disaster risk.

The fund should do more to mitigate low-likelihood high-consequence disasters. To explain why this is important, and why it's currently neglected, we would like to draw your attention to three cognitive biases highlighted by the Productivity Commission. These biases lead decision makers (both organisations applying for grants and grant makers themselves) to make less than optimal decisions:

Availability — people may overestimate the risk of particular hazards because of the availability of information, or because they have previously experienced such a hazard themselves. In this context, people

will naturally tend to focus on fires, floods and storms because they are part of the annual lived experience of Australians and an active part of the social discourse. Until recently, most of us had not lived through a pandemic. As a result, we were not well prepared.

Confirmation Bias — people may tend to ignore or underweight information that is not consistent with their current views. In this context, a range of publications in the last few years have shown that catastrophic risks are much more likely than we would like to believe. We might struggle to believe these numbers because they don't support our current beliefs (e.g., that floods, fires, and storms are the main disasters we need to prepare for). People are prone to disregard that evidence, not because it is not robust, but just because it is unfamiliar.

Myopia — people may place too much weight on short-term gains when making decisions that affect their long-term interests. At an individual level, it is hard for many people to eat well when the benefits accrue many years in the future. At a societal level, it is particularly hard because costs and benefits accrue over long timeframes. In this context, people tend to disregard events that may only occur once in 100 or once in 1000 years, even if their consequence is hundreds of thousands times more impactful than more common kinds of disaster. People can simply assume 'that won't happen'.

Over the last two decades, a number of academic and non-profit organisations have been established to research catastrophic risks and formulate potential mitigation measures. These include the Future of Humanity Institute at Oxford and the Centre for the Study of Existential Risk at Cambridge (e.g., see joint Future Proof report). We are pleased to see other governments around the world taking action to prepare for these risks: the UK has launched an effort to promote 'Resilience to long-term trends and transitions to 2050'; the UN's 'Our Common Agenda' also focuses on extreme risks:

“the response to the pandemic also exposed serious gaps [...] We cannot afford to ignore those gaps if we are to be ready for the potentially more extreme, or even existential, threats that may lie ahead of us.”

—António Guterres, UN Secretary-General

We don't want Australia to be left in a vulnerable position while other nations are well protected from these risks. Without re-stating their research, there is an intolerable risk of catastrophe over the coming century (up to 10%). There are practical ways to mitigate them. The risks include pandemics, the results of climate change, super volcanoes, impact events, energetic astronomical events, and biological agents. We're aware some of these sound hard to consider—we

felt the same way, and are also plagued by the biases above—but pandemics were also hard to consider 3 years ago.

In very general terms, the likelihood of these events in any given year is low. But, their consequences could be so catastrophic that their overall risk is extreme and urgent action is required to ensure that mitigations are in place. While many people’s first instinct can be to ignore these kinds of risks, that tends to be because of one or more of the biases outlined above, not because of deep engagement with the evidence.

The COVID-19 pandemic has shown us all that ‘once in 100-year’ events will occur during our lifetimes and, when they do, the preparedness of governments is the determining factor of their consequences. We are wise to take action now to ensure we are suitably prepared for all catastrophic disasters, even where their risk is comparatively low.

The Finance and Public Administration Legislation Committee is in a position to make minor changes to the Bill to ensure that future grants are more evidence based. We would make two recommendations.

First, as a nudge, the Committee should recommend that the definition of natural disasters in the Bill be amended to include a specific list of lower-likelihood higher-consequence disasters like those we have set out above. Australian law already includes an understanding of ‘national significant harm’—we draw the committee’s attention to pages 13 and 14 of National Emergency Declaration Bill 2020 Revised Explanatory Memorandum:

*“The term ‘emergency’ must be read in conjunction with the definition of **nationally significant harm** [...] if an emergency has caused, is causing, or is likely to cause harm that rises to the level of national significance, that emergency may be the subject of a national emergency declaration, regardless of the type or cause of the emergency.”*

This change would serve to remind grant applicants and grant makers that these kinds of risks are in-scope and worthy of mitigating.

Second, the Committee should recommend that the Bill set a minimum proportion of the fund that must go towards preparation for lower-likelihood, higher-consequence disasters. A hard floor, even if set between 1 and 10%, would ensure that these kinds of disasters are not entirely neglected and remain part of the ongoing national conversation.

Making these changes now in legislation, rather than in a future administrative process, will ensure that biases explained above are addressed systematically. Failing

to make a change now and deferring action to future decision makers is very likely to let those biases be reintroduced during the grant making process. We're not aware of any historic resilience and preparedness grants that have specifically addressed catastrophic disasters. Without action in parliament, that bias is likely to continue with resulting negative consequences for the value for money generated by this program.

We hope that this advice is of assistance to you and your colleagues. If it would further assist the Committee, we can be available to provide oral evidence later in the month.

Regards,

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