



Submission to the Senate Economics Legislation Committee

on the Australia Fund Bill 2018

22 February 2019

1. INTRODUCTION

The Australian Local Government Association (ALGA) appreciates the opportunity to make a submission in response to the Australia Fund Bill 2018 (“the Bill”). The Bill proposes to establish a Joint Parliamentary Committee to investigate establishing an Australia Fund to assist in the support and reconstruction of Australian rural and manufacturing industries in times of crises, including natural disasters and world financial crises, or unfair market intervention or manipulation.

ALGA is the national voice of local government in Australia, representing 537 councils across the country. In structure, ALGA is a federation of state and territory local government associations. ALGA’s submission does not replace the individual views of the associations and individual councils, some of which may have made separate submissions to the inquiry. As such, the information contained below should be considered as supplementary information.

2. Comments on the Bill

ALGA supports 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.

In its 2014 inquiry into natural disaster funding, the Productivity Commission found that funding for reconstruction and recovery consumed 97% of disaster funding in Australia, compared with only 3% that went towards mitigation and community resilience measures. The Productivity Commission highlighted the value of disaster mitigation expenditure and proposed a \$200 million per annum mitigation program.

The value of investment in natural disaster mitigation was also highlighted by the Australian Business Roundtable for Disaster Resilience and Safer Communities in its 2013 White Paper. Investment in mitigation will spare many vulnerable communities from the distress of seeing homes, businesses and valued personal possessions destroyed and also improve these communities’ long-term viability. The Roundtable noted an estimate that the annual cost of natural disasters will rise from \$9 billion today to \$33 billion by 2050.

The significance of disaster risk reduction, and the value of adopting agile approaches to the dealing with the effects of natural hazards on communities, the essential services they rely on, and our economy generally, are beyond dispute. To quote from the Australian Strategic Policy Institute – 18 May 2018:

We need only look back to the 2016–17 cyclone season to see the effects of Tropical Cyclone Debbie. Based on Swiss RE Australia assessments, Debbie was the second most expensive cyclone in Australia’s history, and the 12th most expensive in the world that year. Insurance payouts topped A\$1.69 billion.

The costs of natural disasters to Australian communities and the economy over several years has been significant. The total annual cost of natural disasters in Australia is projected to increase from A\$9 billion to \$33 billion by 2050. Owing to the regularity and size of losses, members of the finance community created the Australian Business Roundtable for Disaster Resilience and Safer Communities (ABR). That collaboration of significant Australian businesses—Munich Re, Optus, Westpac, IAG and Investa, as well as the Australian Red Cross—promotes the coordination of disaster mitigation across the private and public sectors.

ABR recently presented an analysis by Deloitte Access Economics on nine recent disaster reviews that found that of the 124 recommendations made in those reviews to improve resilience, just 13 have been implemented. Twenty-six are in progress but have no clearly defined timeframe for completion. Some it is suggested haven’t been actioned at all.

National progress to develop resilience has been slow, fragmented and reactive. Australia needs a more sustainable, coordinated, comprehensive national approach. We’d note here that insurance plays a critical role in improving preparedness before a disaster strikes, as well as in helping people recover after.

Local Government has been a strong supporter of the Natural Disaster Relief and Recovery Arrangements (NDRRA) which are vital to assisting councils and communities to recover from major natural disasters. A new funding model was agreed in 2018, and came into operation in November 2018. ALGA has sought to ensure that Local Government is not disadvantaged under the new model. There would need to be clarity about the interaction between elements of the NDRRA which aim to assist communities and businesses to rebuild and a new Australia Fund.

In its current election advocacy priorities and 2019-20 Budget Submission, ALGA emphasizes that it is critical that the costs of restoring government infrastructure are shared across all levels of government, and that the Commonwealth remains committed to meeting up to 75% of those costs. Betterment funding (which the Fund may provide) will save millions of dollars in years to come by ensuring that infrastructure is rebuilt to withstand new climate-change realities. ALGA’s analysis indicates that a targeted disaster mitigation program at a level of \$200 million per annum for four years would have a cumulative GDP benefit of \$620 million by the third years and create up to 1,500 new jobs.

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.

It is noted that the core aims of the Australia Fund would be to base decisions on industry/business assessment. Given that the Fund proposes to operate during times of emergency and natural disasters, where many communities require agile and rapid responses, there needs to be adequate consideration that Fund's administrative processes do not delay decisions that may currently be made more expediently.

ALGA believes that unnecessary administrative burdens have been placed upon the 81 Councils who are eligible for the Drought Community Program Extension. Announced on 19 August 2018 the guidelines associated with the program specified that the funded projects needed to be complete by 30 June 2019. However, Councils were unable to submit applications for more than six weeks while the eligibility criteria of a previous program were revised. Many Councils had to resubmit their applications due to the ambiguous nature of the criteria and the Department processing the applications average time for approving an application was two to three weeks. This delay related to funds being allocated to another level of government. We are concerned that even longer delays may be experienced by the business and community sector in relation to the proposed Australia Fund. Serious consideration needs to be given to how business assessments would be conducted, the ability of businesses to provide required information at a time when many records, telecommunications and infrastructure may not be serviceable or accessible.

The role of local governments (as an applicant themselves, or as a stakeholder/referral agency) would also need to be clarified in a process established under the Fund. Consultation with the local government sector would be required in early stages of the Committee's activities when considering Fund management processes.

Finally, Section 8(a)(i) of the Bill states that the Fund would apply in emergencies, which are defined as including natural disasters. But it is unclear how natural disaster will be defined/determined and whether for instance events such as drought would be covered. It is also unclear whether the scale of impact needs to be nationally-felt for the Australia Fund to apply e.g. the recent floods in Queensland were described as a 'national disaster' due to the national level impact on beef industry, even though the events were restricted to one jurisdiction.

We thank you for the opportunity to comment on the Bill and for your consideration of this submission.