Government
of South Australia

SOUTH AUSTRALIAN GOVERNMENT RESPONSE

TO THE DRAFT REPORT OF THE

PRODUCTIVITY COMMISSION INQUIRY

INTO

NATURAL DISASTER FUNDING ARRANGEMENTS

15 OCTOBER 2014

Contents

Executive Summary

This document presents the South Australian Government response to the draft report of the Productivity Commission Inquiry into Natural Disaster Funding Arrangements.

Each finding and draft recommendation has been addressed individually in this response, and key points are summarised below.

The South Australian Government would welcome the opportunity to supplement this response document should any public hearing, meeting or other forum with the Productivity Commission be held prior to the completion of this Inquiry.

Financial Cost to South Australia

The draft report describes a proposed general theme of the Commonwealth Government retreating from financial involvement in natural disaster funding, and transferring obligations and costs to be borne by the states/territories (Draft Recommendations 3.1, 3.2, 3.4, 3.5, 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.8 and 4.10).

Any reduction in overall Commonwealth support will have an impact on the South Australian budget and cost savings or revenue measures will need to be applied to offset any withdrawal of net funding support.

The South Australian Government is understandably resistant to any initiative that erodes its budget position.

Natural Disaster Relief and Recovery Arrangements (NDRRA)

South Australia appears to be a relatively safe jurisdiction, and its claim on the NDRRA has been very small over the last decade. However, as described in our previous submission, there remain a series of credible, low probability, high impact events that could occur in South Australia.

While each of these scenarios has not occurred in recent years, and has a relatively low probability of occurring, any of these events has the potential to produce significant liabilities and impact upon South Australia's financial stability. South Australia considers that there is a need to keep a safety net threshold for major disasters, and therefore recommends that in those circumstances, the Commonwealth funds the majority of the relief and recovery expenses in the interests of maintaining financial stability.

The South Australian Government would probably not consider purchasing top up insurance from the Commonwealth if it was available, as the claim profile for small to medium natural disasters is such that most of the costs would not be eligible.

The potential removal of the eligibility of some activities under NDRRA (Draft Recommendation 3.5) seems to be contrary to Draft Recommendation 3.1 that supports increased autonomy to states and territories for managing relief and recovery expenditure. The South Australian Government would support increased autonomy, and therefore does not support the provisions of Draft Recommendation 3.5.

Disaster Mitigation

The South Australian Government supports the principle of investing in natural disaster mitigation as the best value investment to reduce future liabilities of response, relief and recovery, as described in Draft Recommendation 3.2. It is recommended that the matching requirement from the states be phased in over a number of years to allow mitigation programs to continue to build over time, so as to minimise the potential impacts to state budgets.

The South Australian Government does not support any adjustments from a per capita allocation of mitigation funding if resultant savings in disaster losses can be made until the metrics of how savings are calculated are developed and agreed to nationally.

South Australia supports, in principle, the process of more formal evaluation measures being applied to mitigation proposals. Any such governance and institutional measures would need to be agreed nationally across states, territories and the Commonwealth. This would have potential application to betterment proposals for at-risk infrastructure. Such evaluations, undertaken prior to disasters taking place, would ensure that cost-effective opportunities for betterment are not missed, but scoped and planned in advance based on legitimate, quantifiable risk reduction priorities.

In terms of assessing mitigation projects, the South Australian Government supports, in principle, arrangements that provide greater governance and accountability to mitigation proposals. Such arrangements need to be nationally agreed and the administrative costs of public consultation and publication of all assessments for all projects prior to approval may not be justified. Selected public consultation of the evaluation of larger mitigation projects would be considered.

Heatwave as a legitimate natural disaster

The South Australian Government notes that the Inquiry (Draft Report p232) continued to exclude heatwaves from consideration as a natural disaster. In our June 2014 submission, the case was put for heatwave to be included as a natural disaster. If not considered as part of this Inquiry, the South Australian Government would be promoting that any future negotiations across Australian jurisdictions on funding mitigation, relief and recovery should consider the inclusion of heatwaves as a legitimate natural disaster.

The South Australian Government recognises the value of ensuring that the design of, and compliance to, land use planning policies and practices include reference to preventing natural disasters. Land use zoning is controlled by the State, and many of the hazards that can be mitigated by planning are already done so.

Introduction

This report presents the consolidated South Australian Government response to the draft report of the Productivity Commission (PC) Inquiry into Natural Disaster Funding Arrangements published on 25 September 2014[1] (herein referred to as 'the Draft Report').

A discussion of significant issues relevant to South Australia is presented, summarising the government's position and overall response to the Draft Report.

A further section addresses each of the Draft Report's recommendations, findings and information requests in turn.

The South Australian Government would welcome the opportunity to supplement this response document should any public hearing, meeting or other forum with the PC be held prior to the completion of this Inquiry.

[1] http://www.pc.gov.au/projects/inquiry/disaster-funding/draft

Discussion

Financial implications to South Australia of the recommendations of the Draft Report

There is a general theme in the recommendations of the Commonwealth retreating from financial involvement in natural disaster funding.

The recommendations describe a reduction in commitment from the Commonwealth, with associated increased obligations and costs to be borne by states/territories, specifically:

- An increase in potential state liabilities for relief and recovery, as a result of reduced NDRRA contributions by the Commonwealth (Draft Recommendation 3.1);
- An increase in annual recurrent expenditure of the state to match the proposed new mitigation funding (Draft Recommendation 3.2);
- Liaison, negotiation and publication costs to investigate non-traditional insurance arrangements (Draft Recommendations 3.4 and 4.2);
- Reduction in some activities eligible for reimbursement under the NDRRA, and a reduction in eligibility for the Australian Government Disaster Relief Payment (AGDRP), with costs to be borne either by the state and local governments or community in that state (Draft Recommendation 3.5);
- Publication, contracting and compliance and transaction costs for the collection and dissemination of hazard data (Draft Recommendation 4.1);
- Regulatory costs associated with land use planning reforms and increasing support to local government by state governments (Draft Recommendation 4.3, 4.4, 4.5 and 4.6);
- Regulatory costs of new governance arrangements associated with provision of public infrastructure (Draft Recommendation 4.10); and
- Revenue reduction from the phasing out of taxes and levies on general insurance (Draft Recommendation 4.8).

South Australia is a relatively safe state in terms of natural disaster exposure, and has claimed very few payments from the NDRRA. However, any such reductions in overall Commonwealth support would be detrimental to communities especially given the ongoing and anticipated impacts of climate change and will have an impact on the South Australian budget. Consequently, cost savings or revenue measures will need to be applied to offset any withdrawal of net funding support.

Any reform proposal will need to consider these costs and the South Australian Government will consider and evaluate them when the final report is published in December 2014.

In particular, more detail from the PC is requested for each recommendation that describes:

- How much each of these recommendations is estimated to affect state and territory budget positions;
- The degree to which local government is affected;
- The likelihood of the recommendations achieving the desired outcomes; and
- Recommended cost reductions and/or revenue increase measures required to match the costs.

Hazard Profile of South Australia and a proposed 'Major Disaster' event threshold.

The South Australian Government's previous response to the Issues Paper in June 2014 highlighted the state's risk profile from natural disasters. Based on recent years' claims under the NDRRA, South Australia appears to be a relatively safe jurisdiction.

However, as described in our previous submission, there remain a series of credible, low probability, high impact events that could occur in South Australia such as:

- A major earthquake (magnitude 5.5 or more, one in 10,000 years or more probability) impacting the city of Adelaide (a Christchurch-like earthquake scenario);
- A major flood (one in 500 years or more probability) across the Adelaide Plains causing inundation across large sections of the western suburbs;
- A flood in the River Murray exceeding 1956 flood levels (one in 200 years or more probability);
- A series of bushfires in the Mount Lofty Ranges during catastrophic bushfire conditions (similar to the Black Saturday scenario with one in 50 years to one in 100 years probability);
- Animal and plant diseases such as Foot and Mouth Disease (livestock) and Karnal Bunt (wheat) that would cause a national cessation of access to export markets for these commodities for several years; or
- A prolonged major heatwave (one in 1,000 years probability) event disrupting economic activity through deaths, illness and infrastructure disruption (e.g. power failures requiring commercial buildings to be evacuated, road and rail service disruptions etc.).

While each of these scenarios has not occurred in recent years and they have a relatively low probability, any of these events has the potential to produce significant liabilities and impact upon South Australia's financial stability. The likelihood and uncertainties of such events is also projected to increase under changing climate scenarios (e.g. increased frequency and intensity of heatwaves, rarer but more intense rainfall, sea level rise).

The South Australian Government considers that there is a need to keep a safety net threshold and therefore recommends that the Commonwealth, in the interests of maintaining financial stability, funds the majority of the relief and recovery expenses.

This 'major disaster' threshold would apply to events well outside of routine magnitudes, and the impacts of which cannot be feasibly mitigated.

Proposed reforms to the NDRRA

The South Australian Government is understandably resistant to any initiative that erodes its budget position and Draft Recommendations 3.1 and 3.5 describing the proposed changes to the NDRRA will increase the liability to South Australia for future disasters.

The relatively low claims of the South Australian Government on the NDRRA will, on average, be even lower under these arrangements.

The major concern is that the 50% marginal rate of contribution for the Commonwealth is open ended. As mentioned above, there are credible natural disaster scenarios in South Australian which cannot be feasibly mitigated and have the potential to affect the financial stability of the state. On this basis the South Australian Government would support the maintenance of a 75% marginal threshold for Commonwealth contribution for 'major disasters', even if it were at a higher level than the current threshold of $59 million. The report gives no reason for a 50% cap on Commonwealth contributions other than it applies to a number of other funding agreements. A more reasonable approach would be to base it on the relative revenue raising abilities of states compared to the Commonwealth which the South Australian Government believes would result in a Commonwealth contribution close to the current 75% maximum. Complete removal of the 75% threshold would be a significant issue for South Australia during a major disaster.

Increases to the 'small disaster' criterion would similarly reduce eligible contributions from the NDRRA to South Australia (Draft Recommendation 3.1). It is uncertain how the proposed $2 million figure was arrived at, increasing from the current $240,000. The South Australian Government would recommend investigating a sliding threshold based on state revenue, similar to other NDRRA criteria, rather than a constant fixed rate.

The South Australian Government would probably not consider purchasing top up insurance from the Commonwealth if it was available, as the claim profile for small to medium natural disasters is such that most of the costs would not be eligible.

The potential removal of the eligibility of some activities under the NDRRA (Draft Recommendation 3.5) seems to be contrary to Draft Recommendation 3.1 that supports increased autonomy to states and territories for managing relief and recovery expenditure. South Australian recovery programs have been highly flexible in their application, recognising the variability in disasters and the different dynamics of affected communities. The South Australian Government would support increased autonomy and therefore does not support the provisions of Draft Recommendation 3.5.

Support for Mitigation Investment

The South Australian Government supports the principle of investing in natural disaster mitigation as the best value investment to reduce future liabilities of response, relief and recovery, as described in Draft Recommendation 3.2.

A $200 million contribution from the Commonwealth for mitigation would result in a mitigation program in South Australia of around $16 million Commonwealth contribution. This is a significant increase from the $2 million Commonwealth contribution provided now, but would require the South Australian Government to source an additional $14 million per annum of state government, local government and other matching community contributions from the state. Unlike the Commonwealth which will realise immediate savings to fund its commitment from the proposed increases in various NDRRA thresholds, the states and territories would need to fund this matching contribution by reducing expenditure in unrelated areas. This could lead to significant delays in states and territories commencing mitigation programs.

It is recommended that the matching requirement from the states is phased in over a number of years to allow more urgent mitigation programs to commence as soon as possible.

Part of this recommendation suggests that adjustments could be made from per capita distribution of mitigation funds and could be applied if disaster loss savings are made. The South Australian Government suggests that some certainty be provided in disaster mitigation allocation to establish good governance in mitigation. Over this time, the metrics of how savings are calculated can also be nationally developed and agreed to.

Types of mitigation are not defined specifically in the Draft Report, and the South Australian Government would support the use of both hard mitigation (e.g. infrastructure) and soft mitigation (e.g. community engagement and hazard information dissemination) if the benefit can be demonstrated. Such additional novel mitigation measures include incentives to householders/landowners to increase mitigation uptake in high risk areas, such as retro-fitting structures to make them more resilient.

This position has been supported since the 2002 report on Natural Disasters in Australia and reinforced further with the 2011 National Strategy for Disaster Resilience (NSDR).

The associated governance arrangements, particularly risk-based evaluation, are welcomed by the South Australian Government and we would consider them favourably as part of a national agreement negotiated across states, territories and the Commonwealth. We have made significant investments in risk assessment using the National Emergency Risk Assessment Guidelines (NERAG) over the last few years. These assessments are seen as forming the basis of risk-based prioritisation for mitigation projects.

The national Risk Assessment, Measurement and Mitigation Subcommittee (RAMMS) is sponsoring work done by Risk Frontiers (a consultancy from Macquarie University) to develop a framework for evaluating mitigation investment. It is proposed that the framework be based on traditional cost-benefit analysis, coupled with multi-criteria decision analysis for the less quantifiable priorities. It is hoped that this can become the basis of a national platform for evaluation agreed to by all jurisdictions, meeting the governance arrangement proposed in Draft Recommendation 3.1.

The South Australian Government provides in principle support to the process of more formal evaluation measures being applied to mitigation proposals. This would have potential application to betterment proposals for at-risk infrastructure. Such evaluations, undertaken prior to disasters taking place, would ensure that cost-effective opportunities for betterment are not missed but scoped and planned in advance based on legitimate quantifiable risk reduction priorities.

Inclusion of heatwave under natural disaster funding arrangements

The South Australian Government notes that the Inquiry (Draft Report p232) continued to exclude heatwaves from consideration as a natural disaster. In our June 2014 submission, the case was put for heatwave to be included as a natural disaster.

The impact of heatwaves has become better understood in recent years and the Bureau of Meteorology last summer released a pilot forecasting service[2] that illustrates areas and times across Australia subjected to heatwave, severe heatwave and extreme heatwave. The South Australian Government understands that this pilot service is set to continue over the coming 2014-15 summer.

Quantifiable heatwave criteria from this service provide temporal and spatial boundaries of where and when severe and extreme heatwaves occur. These could form the basis for allowing expense

[2] http://www.bom.gov.au/weather-services/about/heatwave-forecast.shtml

claims for heatwave response and recovery expenses, such as economic disruptions and restoration of infrastructure services.

If not considered as part of this Inquiry, the South Australian Government would be promoting that any future negotiations across Australian jurisdictions on funding mitigation, relief and recovery should consider the inclusion of heatwaves as a legitimate natural disaster.

Land Use Planning and Local Government

The South Australian Government recognises the value of ensuring that the design of, and compliance to, land use planning policies and practices include reference to preventing natural disasters. Land use zoning is controlled by the State, and many of the hazards that can be mitigated by planning are already done so.

A central planning library of policies, including those relating to natural disasters, is seeking to ensure consistency across the state's 72 development plans.

The South Australian Government does not support open-ended support to local councils to deliver their role in land use planning. We believe that the South Australian land use planning system addresses the issues raised in the Draft Report concerning natural disasters. Further evidence would need to be provided that the current state oversight of the planning system is unsuitable.

South Australian Government Response to the Draft Report Findings, Recommendations and Information Requests

Budget treatment of natural disaster risks

INFORMATION REQUEST
Do state, territory and local governments maintain up-to-date asset registers?
How is asset management planning integrated into state, territory and local government budgets?
How do state, territory and local governments' asset management plans incorporate natural disaster risk management?
(Volume 1 p33 and pp77-78)

South Australian government agencies maintain up-to-date asset registers for accrual accounting purposes and to scope capital and maintenance programs which form part of future budgets.

Those assets that the South Australian Government insures against natural disasters are integrated into a single portfolio with our captive insurer. This portfolio does not include uninsurable assets, such as roads.

The risks and liabilities imposed by natural disasters are incorporated into the overall costs of maintaining adequate professional/volunteer fire, rescue and police services. These jurisdictional costs include additional associated support services and planning to maintain a responsive service for South Australia and other jurisdictions when requested.

Resulting losses from natural disasters not covered by insurance or mitigated by the emergency services, are treated as a contingent liability.

DRAFT FINDING 2.1
The budgetary treatment of natural disaster costs as an unquantified contingent liability means that governments make decisions about natural disaster risk management without having full information about the potential consequences.
Where governments make no explicit budgetary provision for the costs of recovery from future natural disasters there is a systematic bias against mitigation and insurance.
(Volume 1 p33 and pp76-81)

The South Australian Government:

- PARTIALLY AGREES that treating natural disaster costs as an unquantified contingent liability means that we make decisions about natural disaster risk management without having full information about the potential consequences; and
- PARTIALLY AGREES that where we make no explicit provision for the costs of recovery from future natural disaster, there is a systematic bias against mitigation and insurance.

In principle, having an expected future loss from natural disasters incorporated within the budget would be likely to have a positive effect on mitigation decision making, where the losses are outside of normal budget liabilities, and are borne by another party. In South Australia NDRRA related costs over the past ten years have varied from $0.3 million to $28.7 million. The South Australian

Government would welcome advice from the PC on how this expense could reasonably be measured so that it can be useful in budget deliberations.

Most of the historic losses from natural disasters in South Australia (92% of costs claimable under the NDRRA from 2004-05) have been borne by the South Australian Government. The internalising of these costs provides sufficient incentive for mitigation, and is reflected in South Australian policies that mitigate losses from natural hazards such as bushfire, floods and coastal inundation.

DRAFT RECOMMENDATION 3.3

The Australian Government should publish estimates of the future costs of natural disasters to its budget in the Statement of Risks. It should also provision through annual appropriation for some base level of natural disaster risks that can be reasonably foreseen. For more catastrophic, less quantifiable risks, it is likely to be more efficient to finance the related costs if and when the risks are realised.

(Volume 1 p33 and pp138-140)

The South Australian Government:

- AGREES that the Australian Government should publish estimates of the future costs of natural disasters to its budget in the Statement of Risks;
- AGREES that the Australian Government should also provision, through annual appropriation, for some base level of natural disaster risks that can be reasonably foreseen; and
- AGREES that with more catastrophic, less quantifiable risks, it is likely to be more efficient to finance the related costs if and when the risks are realised.

The South Australian Government agrees with this recommendation. If it were implemented by the Australian Government, it may be useful for the states and territories to consider how state budgets could present similar information.

INFORMATION REQUEST

The Commission seeks feedback on approaches for the Australian Government to provision for some base level of natural disaster risk in the budget each year.

- **What would be the advantages and disadvantages of using historical averages?**
- **Are there more sophisticated models available to estimate potential future liabilities?**
- **How should 'imputed savings' from changes to the Natural Disaster Relief and Recovery Arrangements be estimated?**

(Volume 1 p34 and pp138-140

The PC has identified many of the issues associated with the presentation of potential future losses from natural disasters.

Given the variability of losses from one year to the next, losses from natural disasters are likely to be presented as a range of losses per year or an estimated total loss over a longer period such as expected losses over the next five to ten years.

The South Australian Government supports, in principle, that national modelling be undertaken to estimate the risks of potential future events and their expected financial impact on Commonwealth and state budgets.

Modelling should reflect the range of factors influencing the costs of natural disasters, as recognised in Volume 2 of the Draft Report. These factors include rising population, wealth and asset prices, an ageing housing stock, increasing settlement in disaster-prone areas, as well as climate change. Climate change projections generally indicate that the frequency and intensity of several extreme weather events are likely to increase, resulting in potentially more frequent natural disasters in the future. (Draft Report p234, box 2.4 and p246).

The outputs from such modelling represent an improvement in national capability for risk assessments and could occur as a National Emergency Management Project (NEMP).

Funding arrangements for recovery

DRAFT FINDING 2.2

Some cost sharing between the Australian and state and territory governments in the form of a fiscal 'safety net' to assist with the cost of natural disasters is inevitable because of vertical fiscal imbalance.

The current funding arrangements exceed the requirements for such a safety net.

- **The current thresholds for funding under the Natural Disaster Relief and Recovery Arrangements (NDRRA) do not constitute a major fiscal burden that exceeds state and territory governments' funding capacity.**
- **The NDRRA 'small disaster criterion' is too low. It captures small, routine events that are unlikely to constitute natural disasters.**
- **A marginal reimbursement rate of 75 per cent is excessive and is not consistent with other cost-sharing arrangements in the Federation.**
- **The scope of eligible expenditures under the NDRRA is unclear in some cases, and includes activities that are the core responsibilities of state and territory governments. Ministerial discretion for 'exceptional circumstances' assistance adds more uncertainty around eligible expenditure.**

(Volume 1 p34 and pp 81-88)

The South Australian Government:

- AGREES that NDRRA does not constitute a major fiscal burden that exceeds our funding capacity;
- AGREES that the 'small disaster criterion' is too low;
- DISAGREES that a marginal reimbursement rate of 75% is excessive;
- PARTIALLY AGREES that the scope of eligible expenditures under the NDRRA is unclear in some cases and includes activities that are the core responsibilities of the South Australian Government; and
- PARTIALLY AGREES that Ministerial discretion for exceptional circumstances (Category D) adds more uncertainty around eligible expenditure.

The South Australian Government welcomes any arrangement that will supplement the cost of relief and recovery from natural disasters and relieve costs from South Australian taxpayers.

However, the 'small disaster criterion' of $240,000 represents approximately 0.0015% of 2014-15 budget revenue and does not , as a single cost, represent a significant financial burden. Raising this criterion will further reduce the eligibility for NDRRA funds to South Australia but it is recognised that the $240,000 threshold does need to be higher and the net effect on NDRRA payments to South Australia would be small. It is unclear from the report why the threshold should be $2 million for all jurisdictions. The South Australian Government recommends that in the criterion be tied to a percentage of state (own source) revenue rather than being a constant flat rate.

The South Australian Government claims under the NDRRA have never exceeded the marginal reimbursement rate of 50% from the Commonwealth over the last decade.

The South Australian Government agrees that duplication should be minimised between Commonwealth and State activities, and would encourage flexibility in application of the NDRRA (discussed further in response to Draft Recommendations 3.1 and 3.5 below). For example, the use of a core function of the state may become exceptional if it is utilised for a prolonged campaign in response to a major disaster.

Notwithstanding the marginal contribution to the state by the Australian Government under the NDRRA over the past decade, the South Australian Government recognises the potential for a major event to occur that would elevate the disaster from a state-level to national disaster and constitute a major fiscal burden. In such cases of major disaster, the NDRRA will be essential for maintaining the financial stability of South Australia and the position of the current arrangements of 25%/75% contributions between South Australian/Australian governments needs to remain. The only justification provided in the report to reduce the proportion to 50% is that it would then be in line with other agreements. A more reasonable approach would be to base it on the relative revenue raising abilities of states compared to the Commonwealth which the South Australian Government believes would result in a Commonwealth contribution close to the current 75% maximum.

In response to the comments on Category D assistance, the South Australian Government agrees in principle for the need for consistency. However, all disaster events are different and some provision for flexibility from recovery conditions should be retained. Some clearer guidelines and a more consultative process for enacting Category D may assist in this regard.

DRAFT FINDING 2.4

Prescriptive requirements in the Natural Disaster Relief and Recovery Arrangements (NDRRA) limit the scope for cost shifting, but also impose administrative costs.

- **The reimbursement model under the NDRRA reduces the incentives for state, territory and local governments to implement the most cost-effective options for disaster recovery.**
- **Restrictions on reimbursement for inputs for reconstruction (such as restrictions on reimbursing the use of 'day labour') lead to wasteful spending.**
- **The bias in the NDRRA toward rebuilding damaged assets to their pre-disaster standard leads to excessive reconstruction expenditure.**
- **There are numerous barriers to the use of the Betterment provisions.**
- **A lack of clarity around what constitutes 'current building and engineering standards' leads to inconsistent application of the clause and inequitable outcomes.**

(Volume 1 p35 and 94-100)

The South Australian Government:

- DISAGREES that the reimbursement model under the NDRRA reduces our incentive to implement the most cost-effective options for disaster recovery;

- AGREES that restrictions on reimbursements for inputs of reconstruction (such as restrictions on reimbursing the use of day labour) leads to wasteful spending;
- AGREES that the bias in the NDRRA toward rebuilding damaged assets to their pre-disaster standard leads to excessive reconstruction expenditure;
- AGREES that there are numerous barriers to the use of the betterment provisions; and
- AGREES that a lack of clarity around what constitutes current building and engineering standards leads to inconsistent application of the clause and inequitable outcomes.

South Australian Government scoping of recovery activities are not significantly influenced by NDRRA criteria as we do not claim very much. Our State Recovery Office tailors each recovery program to be as flexible as possible to the needs of the recovery program at hand.

In general, simple reconstruction to pre-disaster condition is likely to ignore learnings from the emergency event and disregard potential savings and increased future vulnerability to natural disasters as a consequence of climate change.

Betterment provisions are something South Australia has not easily claimed for and the barriers are considerable. The prioritisation approach proposed for risk-based mitigation (Draft Recommendation 3.2) may be a good template to apply for betterment, where such analysis of potential cost-effective mitigation improvements has been completed prior to the disaster and can be applied as part of reconstruction.

Building and engineering standards are complex, and their applicability differs from one hazard to the next. The South Australian Government recognises that there is a natural tension about being consistent, while understanding the difference in impacts and recovery needs for each disaster and the need to be flexible.

DRAFT RECOMMENDATION 3.1
The Australian Government should:
- **Reduce its marginal cost sharing contribution rate to disaster recovery outlays to 50 per cent under the Natural Disaster Relief and Recovery Arrangements.**
- **Increase the triggers for Australian Government assistance (small disaster criterion and annual expenditure threshold).**
- **In conjunction with this reduction in funding assistance, the Australian Government should provide state and territory governments with increased autonomy to manage relief and recovery expenditure in a way that reflects the preferences and characteristics of their communities.**

(Volume 1 p35 and pp112-115)

The South Australian Government:
- DISAGREES that the Australian Government should reduce its marginal cost sharing contribution rate to disaster recovery outlays to 50% under the NDRRA.
- PARTIALLY AGREES that the Australian Government should increase the triggers for Australian Government assistance (small disaster criterion and annual expenditure threshold); and
- AGREES that in conjunction with this reduction in funding assistance, the Australian Government should provide state and territory governments with increased autonomy to

manage relief and recovery expenditure in a way that reflects the preferences and characteristics of their communities.

The South Australian Government believes that assistance for a major disaster, while highly unlikely, is a credible scenario and can significantly affect the financial stability of the state, and requires the current 75% marginal contribution of Commonwealth.

Current state government revenue thresholds from page 84 of the Draft Report are $34 million (0.225% revenue) for 50% Commonwealth contribution and $59 million (0.394% revenue) for 75% Commonwealth contribution. Continuing to apply a 75% marginal contribution for major disasters, a lesser contribution for significant but more common disasters, and little if any assistance for more routine emergencies, will result in a lower-cost NDRRA for the Commonwealth in the long term, while still providing a financial safety net for major disasters.

Although, in principle, the South Australian Government agrees that the current thresholds appear to be low the potential impacts to the State budget position need to be further investigated before making any changes. In addition, South Australia would favour thresholds for small disasters based on state and territory revenue, rather than a single flat figure.

The South Australian Government favours broad adoption of more flexible arrangements in the application of resources to recovery programs.

INFORMATION REQUEST
The Commission seeks information from state and territory governments regarding natural disaster costs by event to inform its analysis of the small disaster criterion. In particular, the Commission requests a list of Natural Disaster Relief and Recovery Arrangements eligible events with total expenditure for each event for the past five financial years.
(Volume 1 p35 and pp118-120)

The South Australian Government has provided all NDRRA claim information previously, and is happy to provide any further detail on request.

INFORMATION REQUEST
Should there be a more explicit definition of counter disaster operations under the Natural Disaster Relief and Recovery Arrangements (or any future arrangements)?
- **To what extent are extraordinary counter disaster operations costs subject to separate Australian Government cost-sharing arrangements?**
- **To what extent are activities that are the normal responsibilities of state and territory governments being included as eligible expenditure under this clause?**
- **To what extent do councils utilise day labour and own equipment for community recovery activities, such as counter disaster operations?**

(Volume 1 p36 and pp123-126)

The Commonwealth has recently produced guidelines to assist with determination of counter disaster operations. The South Australian Government believes this guideline should form the basis for any future assistance arrangements concerning the eligibility for Commonwealth support of extraordinary counter disaster activities.

INFORMATION REQUEST
What sort of trigger is most appropriate for an upfront grants model (under the Commission's reform option 3)? Is a threshold of 0.2 per cent of state or territory government revenue an appropriate measure of fiscal capacity where an event-based trigger is used?
(Volume 1 p36 and pp126-129)

The South Australian Government does not favour an event-based trigger and upfront grants model, but is prepared to work with states and territories if this model is favoured by most jurisdictions.

Funding arrangements for mitigation

DRAFT FINDING 2.5
On balance, total mitigation expenditure across all levels of government is more likely to be below the optimal level than above it, given the biased incentives towards recovery under current budget treatments and funding arrangements. However, the extent of the underinvestment in mitigation is not known, and the benefits of significantly increasing mitigation spending have not been sufficiently demonstrated.
(Volume 1 p36 and pp100-102)

The South Australian Government:

- AGREES that on balance, total mitigation expenditure across all levels of government is more likely to be below the optimal level than above it, given the biased incentives towards recovery under current budget treatments and funding arrangements; and
- AGREES that the extent of the underinvestment in mitigation is not known and the benefits of significantly increasing mitigation spending have not been sufficiently demonstrated.

DRAFT RECOMMENDATION 3.2
If the Australian Government reduces the relief and recovery funding it provides to state and territory governments, it should increase annual mitigation expenditure gradually to $200 million, distributed to the states and territories on a per capita basis. The amount of mitigation spending could be adjusted over time to reflect the imputed 'savings' from reduced relief and recovery funding.
Increased mitigation funding should be conditional on matched funding contributions from the states and territories and best-practice institutional and governance arrangements for identifying and selecting mitigation projects. These would include:

- **Project proposals that are supported by robust and transparent evaluations (including cost–benefit analysis and assessment of non-quantifiable impacts), consistent with National Emergency Risk Assessment Guidelines risk assessments and long-term asset management plans, and subject to public consultation and public disclosure of analysis and decisions.**
- **Considering all alternative or complementary mitigation options (including both structural and non-structural measures).**
- **Using private funding sources where it is feasible and efficient to do so (including charging beneficiaries).**
- **Partnering with insurers to encourage take-up of adequate private insurance and private mitigation through measures such as improved information sharing and reduced premiums.**

(Volume 1 p37 and pp135-137)

The South Australian Government:

- PARTIALLY AGREES that if the Australian Government reduces the relief and recovery funding it provides to state and territory governments, it should increase annual mitigation expenditure gradually to $200 million, distributed to the states and territories on a per capita basis;
- PARTIALLY AGREES that the amount of mitigation spending could be adjusted over time to reflect the imputed savings from reduced relief and recovery funding;
- PARTIALLY AGREES that increased mitigation funding should be conditional on matched funding contributions from the states and territories; and
- PARTIALLY AGREES that increased mitigation funding should be conditional on best-practice institutional and governance arrangements for identifying and selecting mitigation projects.

The South Australian Government asserts that even under current NDRRA arrangements, an increased investment in appropriate mitigation prioritised by its risk reducing benefits will reduce future liabilities for relief and recovery. The process to amend NDRRA is likely to require some negotiation between the Commonwealth and the states and it would be unfortunate if the time taken for this reform delayed much-needed mitigation investment. Mitigation investment should also be indexed to increase with consideration of Consumer Price Index and the observed recent increasing cost of natural disasters.

At this stage, there is no metric to impute savings and such savings will vary from state to state, depending on their hazards, exposures, and ability to mitigate those hazards. Without some further detail as to how this could function, it is difficult to comment. For example, if a state is able to successfully mitigate some of its hazards, does its funding get reduced from the per-capita ratio and redistributed to other states? If so, it could create perverse incentives for states to spend mitigation money on less-effective mitigation options and maintain per-capita or higher levels of mitigation funding.

The nature of such conditions of matched funding would need to be considered when more concrete proposals are presented. Assuming such conditions were similar to the current National Partnership Agreement for Natural Disaster Resilience (NPANDR), the South Australian mitigation program contribution would increase from a 2014-15 level of $2.1 million per annum to $16 million per annum.

If current NPANDR proportions used by the South Australian Government were to apply, a $16 million per annum program would require a further $6.9 millon per annum from the State Budget for state strategic projects and a further $7 million from other local government/state government/community funding sources for a competitive grants program. This is a significant ongoing financial commitment from state and local governments that is as yet unfunded.
The need to secure this matching funding under current fiscal conditions would be problematic and the lack of matching funds would reduce the amount and effectiveness of the mitigation expenditure.

It is recommended that the matching funding proportions be negotiated and state contributions be more gradually phased in.

The South Australian Government has made a significant investment in recent years for undertaking risk assessments, which provides the basis of prioritisation for mitigation projects to reduce risk.

While this indicates priorities for risk-reducing mitigation projects, there is no guidance or governance regarding how proposals to reduce risk should be evaluated.

South Australia provisionally welcomes more rigorous governance and institutional arrangements that increase the value of the risk assessments we have undertaken. We would welcome them as part of an agreement across states, territories and the Commonwealth.

The South Australian Government undertakes a rigorous evaluation of resilience program proposals for each competitive funding round of mitigation projects. While the value of transparency and accountability are recognised, the recommendation to publicly consult on proposal evaluations would come at increased administrative costs in time and funding that could be allocated to mitigation projects.

The South Australian Government would accept a requirement to publish evaluation metrics for successful projects and targeted consultation of larger, more expensive proposals particularly those involving infrastructure.

Transitional requirements

INFORMATION REQUEST

To what extent would currently available estimation methods, such as the National Impact Assessment Model, inform the estimation of benchmark costs? Would additional assessment tools need to be developed? Who should be responsible for developing these tools?

- **Could this be overseen by the Australian Government Reconstruction Inspectorate?**
- **What timeframe would be required for the development of benchmark cost estimates to be applied across all jurisdictions?**

(Volume 1 p37 and pp149-151)

There are currently national arrangements under development for the National Impact Assessment Model (NIAM) under the Recovery Subcommittee of the Australia-New Zealand Emergency Management Committee (ANZEMC). Estimation of benchmark costs can be an additional piece of work managed in a similar manner, if there is sufficient financial incentive to do so.

INFORMATION REQUEST

What governance and institutional arrangements would be required to implement the Commission's 'top-up' insurance option? Could premiums be estimated by the Department of Finance, the Australian Government Actuary, Comcover or another body?

- **How could reinsurers be involved in this process?**
- **What timeframe would be required before such a model could be operational?**

In addition to allowing cover for a lower small disaster criterion, smaller annual expenditure threshold and higher rate of cost sharing from the Australian Government, would there be merit in the 'top-up' insurance option also providing cover for broader eligible expenditure?

(Volume 1 p38 and pp149-151)

It is unlikely that the South Australian Government would purchase insurance in this way, given our risk profile. However, the take up of additional insurance is to be encouraged in some areas so that tax payers in general are bearing risk for inherently high risk profile geographical areas.

This arrangement could be similar to the Terrorism Premium Pool, potentially set up as a National Partnership Agreement by finance ministers.

INFORMATION REQUEST
What transitional arrangements are required for state and territory governments to meet the proposed accountability requirements put forward by the Commission to apply to both mitigation and recovery assistance?
(Volume 1 p38 and pp149-151)

Arrangements for preparing state-wide risk assessments are currently in place through the Law, Crime and Community Safety Council. These could be expanded to incorporate the scoping and compliance of new governance arrangements.

Interaction with federal financial relations

DRAFT RECOMMENDATION 3.6
The Commonwealth Grants Commission should revisit its assessment of 'average state policy' and accompanying accountability requirements for natural disaster policies once the Australian Government has announced its decision regarding relief and recovery funding arrangements.
(Volume 1 p38 and pp151-152)

The South Australian Government does not believe this recommendation is necessary as the Commonwealth Grants Commission would already incorporate any changes the Commonwealth makes to natural disaster relief arrangements into its assessment approach. The recommendation is simply stating what would normally happen. There is no need to make a reference to revisiting its assessment of average state policy.

Government insurance

DRAFT FINDING 2.3
There are several impediments to state, territory and local governments taking out adequate insurance for their road assets against natural disaster damage.
- **The current natural disaster funding arrangements reduce the incentive for state, territory and local governments to insure their assets.**
- **Most state, territory and local government asset registers are not adequate for the requirements of insurers.**
- **Most state, territory and local governments have not fully explored the use of non-traditional insurance instruments for insuring roads.**

(Volume 1 p39 and 88-94)

The South Australian Government:
- DISAGREES that current natural disaster funding arrangements reduce the incentive for us to insure assets;
- DISAGREES that our asset registers are not adequate for the requirements of insurers; and
- PARTIALLY AGREES that we have not fully explored the use of non-traditional insurance instruments for insuring roads.

South Australia's relief and recovery claims from the Commonwealth are so small it makes no material difference to the insurance choices of South Australia.

The South Australian Government, through its captive insurer the South Australian Insurance Corporation (SAICORP), collates asset registers from various government agencies for those assets it is able to insure.

SAICORP undertook a thorough investigation of the possibility to insure its road assets in 2012 and at that time it was unsuccessful in securing terms that represented value for money. Market conditions and insurance products do change over time, so there may be an opportunity to explore this again in the near future.

DRAFT RECOMMENDATION 3.4
State, territory and local governments should further investigate non-traditional insurance products for roads. Where they do not already do so, state, territory and local governments should compile and publish detailed registers of road asset condition and maintenance for all roads over which they have jurisdiction (and have these registers independently audited). This may help insurance markets to understand and price the risk. Consideration should be given to the Victorian model in this regard.
(Volume 1 p39 and 141-146)

The South Australian Government:

- PARTIALLY AGREES that we should further investigate non-traditional insurance products for roads;
- DISAGREES that we should compile and publish detailed registers of road asset condition and maintenance for all roads over which they have jurisdiction (and have these registers independently audited); and
- AGREES that consideration should be given to the Victorian model in this regard.

As mentioned above, the South Australian Government may consider a further market investigation of road asset insurance, recognising that the market and products may have changed since 2012.

The South Australian Government has no desire to publish registers of road asset condition and maintenance. The same outcome could be achieved through the proposed Trusted Information Sharing Network (TISN) arrangement of Draft Recommendation 4.2 with local council asset information.

The South Australia Government is prepared to consult with the Victorian government on its model as part of any future market investigation.

INFORMATION REQUEST
The Commission seeks information on recent advances in tailored parametric or index-based insurance and catastrophe bonds, or other relevant instruments through capital markets, for use by governments to provision for natural disaster risk on an ex-ante basis.
(Volume 1 p39 and pp141-146)

As previously mentioned, such products were considered a few years ago and no viable product was available in the market at the time.

The South Australian Government does not believe that these products are able to provide suitable scope and amount of cover, but may consider them further in future.

Managing shared risks

DRAFT FINDING 2.6

The Australian Government Disaster Recovery Payment (AGDRP) is significantly higher than the Crisis Payment that is provided to assist income support recipients with the impacts of traumatic events. As such, the AGDRP may be higher than necessary to meet the emergency needs of people affected by natural disasters.

Eligibility criteria for the AGDRP tend to be adjusted following a major natural disaster and have progressively become broader in their scope. Ministerial discretion over the eligibility criteria has led to inconsistent and inequitable treatment of people in comparable circumstances and has contributed to increased program costs.

There is overlap and duplication between the AGDRP and state and territory government emergency assistance to individuals. The Australian Government is better placed than the states and territories to provide emergency assistance to individuals in an efficient and timely manner.

(Volume 1 p40 and pp102-107)

The South Australian Government:

- AGREES that the AGDRP may be higher than necessary to meet the emergency needs of people affected by natural disasters;
- AGREES that Ministerial discretion over the eligibility criteria for the AGDRP has led to inconsistent and inequitable treatment of people in comparable circumstances and contributed to increased program costs;
- AGREES that there is overlap and duplication between the AGDRP and South Australian Government emergency assistance to individuals; and
- PARTIALLY AGREES that the Australian Government is better placed than the states and territories to provide emergency assistance to individuals in an efficient and timely manner.

In our response to the Issues Paper, the South Australian Government indicated that the AGDRP is very costly and supported the recent Commonwealth decision during the Blue Mountain bushfires to restrict eligibility criteria.

The South Australian Government has also previously highlighted duplication between AGDRP and South Australian Personal Hardship and Distress payments under NDRRA Category A.

Australian Government assistance to individuals has been used in South Australia via Centrelink. Such arrangements are quicker and cheaper if the affected individuals are existing Centrelink clients. This is not always the case.

DRAFT FINDING 2.7

The case for government assistance to businesses and primary producers after a natural disaster is weak.

If governments do provide assistance to businesses and primary producers, untied grants are a more efficient, effective and equitable instrument than loans and subsidies.

(Volume 1 p40 and pp 108-109)

The South Australian Government:

- PARTIALLY AGREES that the case for government assistance to businesses and primary producers after a natural disaster is weak; and

- AGREES that if governments do provide assistance to businesses and primary producers, untied grants are a more efficient, effective and equitable instrument than loans and subsidies.

The South Australian Government has previously highlighted its support for the Disaster Recovery Allowance as short term income support for employees, small business operators and farmers. It allows for recipients to overcome cash flow issues and be more able to participate in the local economy following a disaster, which is a key component for community recovery.

South Australian Government assistance to primary producers, on the rare occasion when it occurs, is through untied grants.

DRAFT RECOMMENDATION 3.5
The Australian Government should:

- **Cease reimbursement to state and territory governments under the Natural Disaster Relief and Recovery Arrangements for relief payments for emergency food, clothing or temporary accommodation and assistance to businesses and primary producers (including concessional loans, subsidies, grants and clean-up and recovery grants)**
- **Reduce the amount provided under the Australian Government Disaster Recovery Payment (AGDRP). The Australian Government Crisis Payment may provide a reasonable benchmark in this regard**
- **Legislate the eligibility criteria for the AGDRP and the Disaster Recovery Allowance and make these not subject to Ministerial discretion.**

(Volume 1 p40 and pp 147-149)

The South Australian Government:

- DISAGREES that the Australian Government should cease reimbursement to state and territory governments under the NDRRA relief payments for emergency food, clothing or temporary accommodation and assistance to businesses and primary producers (including concessional loans, subsidies, grants and clean-up and recovery grants);
- AGREES that the Australian Government should reduce the amount provided under the AGDRP. The Australian Government Crisis Payment may provide a reasonable benchmark in this regard; and
- HAS NO OPINION that the Australian Government should legislate the eligibility criteria for the AGDRP and the Disaster Recovery Allowance and make these not subject to Ministerial discretion.

The South Australian Government, as part of its recovery efforts in the past, does not provide relief payments for many of those items. Many of the costs cited are legitimate expenses of recovery activities. We disagree with this recommendation as it appears to contradict the previous Draft Recommendation 3.1 to '*provide state and territory governments with increased autonomy to manage relief and recovery expenditure in a way that reflects the preferences and characteristics of their communities*'.

The South Australia Government agrees that the AGDRP should be reduced, and any duplication between it and state-based payments such as the Personal Hardship and Distress payment should be removed.

While there needs to be more consistency in eligibility for the AGDRP, some flexibility may be useful to account for the variability of disasters and their associated impacts. Whether legislation is the best way to achieve this balance or not is open for debate, and South Australia does not have an opinion.

Information

DRAFT FINDING 4.1
The availability of information on natural hazards and exposure has improved significantly in recent years, especially in relation to floods. However, there is scope for greater coordination and prioritisation of natural hazard research activities across governments and research institutions.
(Volume 1 p41 and pp155-159)

The South Australian Government:

- AGREES that the availability of information on natural hazards and exposure has improved significantly in recent years, especially in relation to floods; and
- AGREES that there is scope for greater coordination and prioritisation of natural hazard research activities across governments and research institutions.

INFORMATION REQUEST
If guidelines for the collection and dissemination of hazard mapping and modelling are developed:

- **Who would be best placed to develop these guidelines?**
- **What hazards could be covered?**
- **How could guidelines for hazard types be prioritised for development?**

(Volume 1 p41 and pp159-160)

Currently, such work is being done nationally under the auspices of the ANZEMC, with programs such as the National Work Program for Flood Mapping and the National Flood Risk Information Project.

Hazard mapping and modelling should be undertaken nationally for all hazards that are eligible for natural disaster payments, plus heatwave, prioritised by their likely damage to life and property in Australia. Mapping and modelling of future hazard risk should take into account potential implications of climate change.

DRAFT RECOMMENDATION 4.1
When collecting new natural hazard data or undertaking modelling, all levels of governments should:

- **Make information publicly available where it is used for their own risk management and/or there are significant public benefits from doing so.**
- **Use private sector providers where cost effective, and use licencing arrangements that allow for public dissemination. Where there are costs involved in obtaining intellectual property rights for existing data, governments should weigh up these costs against the public benefits of making the data freely accessible.**
- **Apply cost recovery where governments are best placed to collect or analyse specialist data for which the benefits accrue mostly to private sector users.**

(Volume 1 p41 and pp159-163)

The South Australian Government:

- AGREES that when collecting new natural hazard data or undertaking modelling, that information should be publicly available where it is used for their own risk management and/or there are significant public benefits from doing so;
- AGREES that when collecting new natural hazard data or undertaking modelling, we should use private sector providers where cost effective and use licencing arrangements that allow for public dissemination. Where there are costs involved in obtaining intellectual property rights for existing data, governments should weigh up these costs against the public benefits of making the data freely accessible; and
- AGREES that when collecting new natural hazard data or undertaking modelling, we should apply cost recovery where governments are best placed to collect or analyse specialist data for which the benefits accrue mostly to private sector users.

The South Australian Government believes that data or modelling on natural hazards should be made public by default, with only very few exceptions. For example, such exceptions could be associated with security of critical infrastructure or protecting privacy.

Hazard and risk information should also be formatted to meet the needs of the intended audience.

DRAFT RECOMMENDATION 4.2

State and territory governments, local governments and insurers should explore opportunities for collaboration and partnerships. Partnerships, for example, could be formed through the Insurance Council of Australia and state-based local government associations (or regional organisations of councils). Consideration could be given to the Trusted Information Sharing Network model, and involve:

- **Governments sharing natural hazard data that they already hold and undertaking land use planning and mitigation to reduce risk exposure and vulnerability.**
- **Insurers sharing expertise and information (for example, claims data) to inform land use planning and mitigation.**
- **Collaboration to inform households of the risks that they face and adequacy of their insurance to fully cover rebuilding costs, and to encourage private funding of mitigation through incentives such as reduced premiums.**

(Volume 1 p42 and pp159-163)

The South Australian Government:

- AGREES to explore opportunities for collaboration and partnerships with local governments and insurers, including consideration of a TISN model.

Such arrangements may provide an operational advantage to accessing claims data in the period soon after a disaster.

Risk assessments can also be improved through the use of insurance data improving loss estimates.

DRAFT RECOMMENDATION 4.3

State and territory governments should hasten implementation of the Enhancing Disaster Resilience in the Built Environment Roadmap, including reviewing the regulatory components of vendor disclosure statements. Furthermore, the Land Use Planning and Building Codes Taskforce

should consider possibilities for regular, low-cost dissemination of hazard information to households by governments and insurers (for example, the work of the Insurance Council of Australia to develop natural hazard ratings at a household level).
(Volume 1 p42 and pp163-168)

The South Australian Government:

- AGREES to hasten implementation of the Enhancing Disaster Resilience in the Built Environment Roadmap, including reviewing the regulatory components of vendor disclosure statements; and
- DISAGREES that the Land Use Planning and Building Codes Taskforce should consider possibilities for regular, low-cost dissemination of hazard information to households by governments and insurers (for example, the work of the Insurance Council of Australia to develop natural hazard ratings at a household level).

The South Australian Government believes that vendor disclosure and public hazard information dissemination is the work of state and territory Governments, not the taskforce. South Australia is considering such proposals as part of the Capability and Investment Plan developed within South Australia.

National adoption of vendor disclosure and hazard information dissemination arrangements should be considered by ANZEMC.

Regulating the built environment

DRAFT RECOMMENDATION 4.4
State governments should:

- **Clearly articulate the state-wide natural hazard risk appetite in land use planning policy frameworks.**
- **Provide local governments with guidance on how to prioritise competing objectives within land use planning.**
- **Provide local government with guidance on how to integrate land use planning and building standards. Consideration should be given to Victoria's Integrated Planning and Building Framework for Bushfire in this regard.**

Furthermore, local governments should publish the reasoning behind development assessment decisions.
(Volume 1 p42 and pp168-171)

South Australian Government land use planning arrangements have already achieve these objectives.

Many hazards have policies incorporated into our development plans, such as:

- Bushfire risk planning controls in high risk areas;
- Flood mapping incorporated into plans;
- Coastal flood risk both now and in the future due to sea level rise; and
- Earthquake risks.

The South Australian Government has control of all rezoning, which can be requested by local councils. There are planning library documents which define standard conditions for all regional plans, and flow through to the state's 72 development plans. The planning library is reviewed and amended over time.

Recent proposed planning reforms seek to mandate state planning codes in legislation to ensure consistency is applied.

One other proposal receiving support at this stage is the streamlining and integrating of planning processes in regional areas, similar to the integration of natural resources planning in New Zealand into single integrated resource management plans. This will improve line of sight across disparate legislative planning processes and improve consistency in incorporation of natural disasters into planning policies.

DRAFT RECOMMENDATION 4.5
The onus is on state governments to ensure that local governments in their jurisdiction are sufficiently resourced to effectively implement their land use planning responsibilities. State governments should review the adequacy of local governments' resources and capabilities, and provide further resources and support where they are not adequate.
(Volume 1 p43 and p172)

DRAFT RECOMMENDATION 4.6
State governments should provide additional support and guidance to local governments that addresses the extent of local governments' legal liability when releasing natural hazard information and making changes to land use planning regulations.
(Volume 1 p43 and pp173-175)

The South Australian Government DISAGREES with these recommendations. The adequacy or otherwise of state government support for local government should be considered in a broader context than that implied in the report.

DRAFT RECOMMENDATION 4.7
The provisions in the Queensland Sustainable Planning Act 2009 for injurious affection should be repealed.
(Volume 1 p43 and pp173-175)

This Draft recommendation is not relevant to South Australia.

DRAFT RECOMMENDATION 4.10
All governments should put in place best-practice institutional and governance arrangements for the provision of public infrastructure, including road infrastructure. These should include:

- **Stronger processes for project selection that incorporate requirements for cost–benefit analyses that are independently scrutinised and publicly released**
- **Consideration of natural disaster risk in project selection**
- **A clearer link between road-user preferences and maintenance and investment decisions.**

(Volume 1 p43 and pp184-185)

The South Australian Government believes these arrangements are largely in place for major infrastructure projects, particularly consideration of natural disaster risk, as we tend to bear most of the relief and recovery cost.

The advantages of publicising cost-benefit analysis would need to be demonstrated before the South Australian Government committed to this and weighted against getting the best value for money during tenders with commercial providers.

Insurance

DRAFT RECOMMENDATION 4.8
State and territory taxes and levies on general insurance should be phased out and replaced with less distortionary taxes.
(Volume 1 p43 and pp178-179)

The report has not demonstrated that a reduction in taxes will increase the take up of insurance. The report should provide an analysis of price sensitivity in the demand for various insurance products to support its recommendation.

South Australian taxes and levies on general insurance is a significant source of revenue. The draft report does not describe any alternative, less distortionary taxes that would make up the loss in revenue, nor has it demonstrated that the savings would result in future disaster loss reductions greater than the loss in revenue.

DRAFT RECOMMENDATION 4.9
Insurers should provide additional information to households regarding their insurance policies, the natural hazards they face and possible costs of rebuilding after a natural disaster. This work could be led by the Insurance Council of Australia to ensure consistency in the provision of information across insurers.
(Volume 1 p44 and pp179-180)

This draft recommendation does not relate to South Australian Government business.

INFORMATION REQUEST
What is the prevalence of sum insured versus total replacement cost cover in household building and contents insurance policies? Has this changed in recent years? Are there any impediments to insurers disclosing an indicative estimate of the difference between the sum insured and the replacement value of the property?
Are there barriers to insurers recognising property-level mitigation through reduced premiums?
Where commercial insurers adopt more risk-reflective pricing are reinsurers adjusting their prices accordingly?
(Volume 1 p44 and pp180-181)

This request does not relate to South Australian Government business.

DRAFT FINDING 4.2
International experience has shown that government intervention in property insurance markets (either through direct provision of insurance or by providing reinsurance) weakens the price signals that insurance premiums send to households and businesses about the level of risk faced. These schemes also create fiscal risks. Governments have had to bear significant costs following large natural disasters because their insurance schemes failed to accumulate adequate reserves.
(Volume 1 p44 and pp180-184)

This finding does not relate to South Australian Government business.