

26 September 2019

The Committee Secretary
Select Committee on the effectiveness of the Australian Government's Northern Australia agenda
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Via email: Northernaustralia.sen@aph.gov.au

Dear Sir/Madam,

INQUIRY INTO THE EFFECTIVENESS OF THE AUSTRALIAN GOVERNMENT'S NORTHERN AUSTRALIA AGENDA

Suncorp Group Limited (*Suncorp*) welcomes the opportunity to provide a submission to the Senate's Select Committee Inquiry into the effectiveness of the Australian Government's Northern Australia Agenda (*the Inquiry*).

Suncorp is a leading financial services provider offering insurance, banking and wealth products, and services throughout Australia and New Zealand. As the largest home and contents insurer in northern Australia we have developed deep connections with communities throughout the region. We advocate for, and strive to deliver, what is in the best interests of our customers in the north.

Summary

Suncorp has supported the Australian Government's long-standing agenda to develop the capacity of northern Australia. Like others, we want to see this amazing part of the world grow and prosper.

However, we first need to ensure the region is better protected from the impacts of natural hazards before we invest in expanded development and industry.

The Australian Government's white paper: *Our North, Our Future: White Paper on Developing Northern Australia*, as well as the subsequent implementation reports, did not propose any specific adaptation investment or resilience building initiatives to prevent the impact of natural disasters. We believed at the time that this was a significant oversight and our view stands to this day.

Cyclones alone have caused approximately \$5 billion in damages across northern Australia over 10 years, including Tropical Cyclone Debbie in 2017 (\$1.78 billion) and Tropical Cyclone Marcia in 2015 (\$1.48 billion). The broader economic impact of these events cannot be understated – with recent analysis completed for Suncorp indicating that Tropical Cyclone Debbie could have reduced the economy by \$7.2 billion, equal to 2.2 per cent of GDP (see Appendix A), had insurance not responded to the catastrophe.¹

The Australian Government has a critical role to play and is in a position to reduce the impact of natural hazards while stimulating economic growth by improving both community and household-level resilience. We believe the Government has an existing framework and capacity to help achieve this goal by utilising the Northern Australia

¹ SGS Economics and Planning 2019, *Economic Recovery After Disaster Strikes: A Report for Suncorp*, page 14.

Infrastructure Facility (NAIF). We provided this feedback in submissions to the NAIF Consultation Paper in 2015 and the NAIF Bill in 2016.

Investment in protecting communities against natural disasters such as floods and cyclones aligns to the existing objectives of the NAIF. Such measures should be seen as economic infrastructure which helps to ensure that regional communities, as well as their economies, are better protected against the impacts of natural disasters.

Activities can occur at a community level (ie construction of flood levees), as well as encouraging individuals to strengthen their homes (ie against cyclones). From an insurance perspective, these activities will reduce risk and, in turn, insurers in the region should recognise this through lower premiums.

Government-sponsored adaptation solutions have been highly successful internationally. The Queensland Government's Household Resilience Program has provided grants to eligible homeowners in north Queensland to carry out practical resilience improvements to their home, such as roof upgrades and window coverings. Such an investment provides an economic boost to communities in the region, while also improving their resilience against weather events.

The economic benefits of natural hazard mitigation

Northern Australia is especially susceptible to natural disasters, with many communities exposed to both cyclones as well as flooding.

There is a growing risk of Australia's economic performance being undermined by the impacts of natural disasters. Analysis recently completed for Suncorp shows that some events can wreck a local economy and cause a significant and permanent reduction in the community's ability to generate income.²

Small communities are the backbone of regional Australia and are especially vulnerable when disaster strikes. This is particularly the case in regional areas which have a high reliance on capital intensive sectors like resources, agriculture and tourism. The economic impact of the 2018 Hobart floods was estimated to be a \$908 million, or 7.5 per cent reduction in local GDP, whereas the Tathra bushfires hurt the local economy by \$207 million, or a 33.7 per cent decline in local GDP, showing the significant impact even a small-scale disaster can have on a regional community's economy.³

Improving the quality of our infrastructure, building levees around flood prone communities, as well as strengthening homes against cyclones, bushfires and floods, have all been proven to significantly prevent the short and long-term impacts of weather events while protecting local economies.

Despite this, Australia currently spends 97 per cent of disaster funding on clean-up and recovery, with only three per cent spent on prevention and reducing the risk of natural disasters.⁴ Research from the Cyclone Testing Station at James Cook University shows that increasing the resilience of homes was a practical way of addressing the region's significant risk problem.⁵

Based on this research, Urbis found that cyclone resilience retrofits can save homeowners and the economy up to \$13 for every dollar invested. Some options would pay for themselves after one Tropical Cyclone Yasi-like weather event.⁶

Suncorp data tells us that customers who reported mitigation activities made fewer claims following an extreme weather event. Retrofitting houses by replacing roofs, protecting windows and strengthening doors to better withstand the winds of cyclones can significantly prevent damage. Other measures such as ensuring a house is well maintained and securing outside furniture are simple measures that have a big impact.

² SGS Economics and Planning 2019, *Economic Recovery After Disaster Strikes: A Report for Suncorp*.

³ SGS Economics and Planning 2019, *Economic Recovery After Disaster Strikes: A Report for Suncorp*, page 22-23.

⁴ Productivity Commission 2014, *Natural Disaster Funding Arrangements, Inquiry report no. 74, Canberra (Volume 2) page 300*.

⁵ Cyclone Testing Station JCU 2015, *Cyclone Resilience Research – Phase II* (see

<https://www.suncorp.com.au/content/dam/suncorp/insurance/suncorp-insurance/documents/home-and-contents/protect-the-north/suncorp-attachment-3-jcu-cyclone-research-phase-2-report.pdf>)

⁶ Urbis 2015, *Protecting the North: the benefits of cyclone mitigation* (see <https://www.suncorpgroup.com.au/uploads/suncorp-attachment-4-urbis-cyclone-mitigation-report.pdf>).

Physical mitigation measures such as flood levees also have significant benefits for high risk communities. Urbis analysis⁷ of flood mitigation investments in Roma and St George show net benefits of \$64.7 million and \$25.7 million respectively over the next 50 years. Homeowners in Roma saw their insurance premiums reduce by as much as 90 per cent after their town's flood levee was completed.

Increasing direct government funding for mitigation

The Productivity Commission made several recommendations to improve Australia's preparedness for natural disasters including to increase five-fold the level of Federal Government funding for disaster mitigation, to be matched by states and territories.⁸

Despite this recommendation, government funding for natural hazard mitigation has still not reached this level. Direct funding of flood levees and upgrades to flood prone infrastructure such as roads and rail in northern Australia is one way governments can meet the Productivity Commission's recommendation.

The Launceston flood levee is an example of the benefits of community-level mitigation. In 2014, the old Launceston flood levee was upgraded and raised. Subsequent analysis revealed the levee upgrade paid for itself four times over after just one flood event.⁹

We want to see investment in mitigation against disaster events to facilitate growth and reduce risk in northern Australia. Flood mitigation investment in high risk areas such as Townsville, will create a more welcoming investment environment, where there are proactive measures taken to reduce risk, and effectively lower insurance premiums. This allows communities to expand, encourages job and population growth, and creates a stronger economy.

Using the NAIF to fund mitigation

The NAIF could support community-level mitigation such as flood levees and infrastructure upgrades, as well as via concessional loans to fund household resilience upgrades. These initiatives will help build resilient communities, make better use of existing infrastructure, and prevent major damage caused by disasters.

These outcomes are in line with the NAIF's purpose of generating public benefit, facilitating long term economic and population growth, and ensuring greater private sector participation in investment.

The Queensland Government's Household Resilience Program demonstrates how governments can assist homeowners improve the resilience of their own properties. The program has already provided funding for around 1,000 homes in north Queensland to receive roof upgrades and other cyclone mitigation measures.

Government sponsored mitigation solutions have also been highly successful internationally, and a similar model to the Queensland program should be considered for northern Australia, either through the provision of grants or a loan scheme via the NAIF.

Suncorp continuously looks to work with government and the community to further promote the importance of mitigation against disaster risk. Suncorp is actively contributing to the Australian Competition and Consumer Commission's inquiry into northern Australia (see Appendix B).

Suncorp's *Protecting the North* is a major insurance safety package for northern Australia, which promotes cyclone resilience by rewarding stronger homes. The program is the strongest example of industry acting to tackle the real problems confronting the region, including the extreme risk of cyclones.

Attached is a Suncorp policy proposal for governments and industry to achieve a greater impact by working more closely together (see Appendix C).

⁷ Urbis 2015, *Protecting the North: the benefits of cyclone mitigation* (see <https://www.suncorpgroup.com.au/uploads/suncorp-attachment-4-urbis-cyclone-mitigation-report.pdf>).

⁸ Productivity Commission 2014, *Natural Disaster Funding Arrangements: Inquiry Report, Volume 1*, page 2.

⁹ Bushfire and Natural Hazards CRC 2017, *Launceston flood risk mitigation – June 2016 floods*.

Suncorp is committed to ensuring all Australians regardless of where they live can access affordable insurance to protect their home, car and business. If you wish to discuss any of the points raised in this submission, please contact me on 0477 391 260 or at joshua.cooney@suncorp.com.au.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Joshua Cooney', written in a cursive style.

Joshua Cooney
Acting Executive Manager Government, Industry and Public Policy
Suncorp Group

Appendix A

SGS Economics and Planning (2019), Economic Recovery After Disaster Strikes: A Report for Suncorp

Click [here](#)

Appendix B

Submission to the ACCC Northern Australia Inquiry First Interim Report

Click [here](#)

Submission to the ACCC Northern Australia Insurance Inquiry Second Update Report

Click [here](#)

Appendix C

Protecting the North: An Insurance Affordability and Cyclone Resilience Policy Proposal

Click [here](#)