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Royal Commission into National Natural Disaster Arrangements  
Locked Bag 2000  
Manuka ACT 2603

Via email: [rcnda.enquiries@royalcommission.gov.au](mailto:rcnda.enquiries@royalcommission.gov.au)

Dear Commissioners,

**Royal Commission into National Natural Disaster Arrangements**

CPA Australia represents the diverse interests of more than 166,000 members working in over a 100 countries and regions around the world. We make this submission to the Royal Commission on behalf of our members and in the broader public interest.

The impact of the 2019-20 bushfire crisis was unprecedented in its breadth and severity. Not only in its direct impact on communities in the direct path of the fires but the indirect impact of the smoke pollution on a large part of the Australian population. The bushfires have brought into stark focus the frequency and severity of severe weather events such as drought and excessive heatwaves brought on by a changing climate and the impact it has on the environment.

CPA Australia is not in a position to comment on all of the Royal Commission's Terms of Reference, however we have provided commentary in relation to:

- Coordination of the response to and recovery from natural disasters - improving support for business following a natural disaster
- Improving resilience and adapting to changing climate conditions
- Relevant incidental matters – financial literacy.

Full details and recommendations are included in the attached.

We would welcome the opportunity to discuss our submission in more detail. If you require further information on the responses below, please contact Michael Davison, Advocacy Manager on 02 6267 8552 or at [michael.davison@cpaaustralia.com.au](mailto:michael.davison@cpaaustralia.com.au).

Yours sincerely



**Dr. Gary Pflugrath**

Executive General Manager, Policy and Advocacy

## **Royal Commission into National Natural Disaster Arrangements CPA Australia response to terms of reference**

### **(a) Coordination of the response to and recovery from natural disasters - improving support for business following a natural disaster**

The priority during any disaster is saving lives and maintaining critical infrastructure, but immediately after, the task quickly turns to addressing the economic and social consequences of the disaster.

Following the 2019-20 bushfires, governments at all levels seemed ill-prepared for the economic and social consequences of the disaster. This lack of preparedness led to delays in the delivery of support for communities and business. It also led to hastily developed policy solutions with little time for critical analysis.

In relation to business, this slowed the roll out of effective assistance by all levels of government at the time when people and business needed certainty and support. This compounded the anxiety and frustration felt by those directly and indirectly impacted by the fires.

Governments not only need to enhance their ability to respond to natural disasters to keep people and property safe, they also need to improve their ability to deliver adequate, well-considered and timely assistance to businesses and communities after a disaster.

CPA Australia argues that Governments should establish a 'break glass in case of emergency' model for business assistance following a natural disaster – that is, after a natural disaster is declared, there are standard forms of assistance for business that can be deployed quickly. This will help to deliver the certainty many need following a disaster.

This model should be scalable depending on the severity of the disaster. Hence the government should consider setting standards to categorise the severity of natural disasters, with the standard level of assistance increased the more severe the disaster.

Such a model allows for the quicker implementation of pre-determined policy measures to assist business – policy measures that have been subject to critical analysis to increase their effectiveness.

We note that after the 2019-20 bushfires, there was what seemed to be an unnecessarily long period for effective policies to assist businesses to be developed, announced and implemented. Such response gaps would not exist if there were pre-determined standard forms of assistance.

For business, those pre-determined standard forms of assistance could include:

- Grants to directly and indirectly-affected businesses, with the amount of the grant increased based on the declared severity of the natural disaster
- Concessional loans to directly and indirectly-affected businesses, with the amount of the loans increased based on the declared severity of the natural disaster
- Vouchers that directly and indirectly-affected businesses can redeem for professional advice.

In short, once the government declares a natural disaster, pre-determined assistance becomes immediately available to impacted businesses. As the scale of a disaster changes (e.g., becomes more severe), the government could recategorise it, allowing more assistance to flow immediately from government to business.

Below is a table detailing an example of what pre-determined levels of assistance might look like for impacted businesses. These numbers are for illustrative purposes only; but CPA Australia would willingly work with government to critically analyse and determine appropriate levels of pre-determined forms of assistance, which would be subject to regular review.

		Category 1 natural disaster	Category 2 natural disaster	Category 3 natural disaster	Category 4 natural disaster	Category 5 natural disaster
Grant	<i>Directly impacted</i>	\$10,000	\$20,000	\$30,000	\$40,000	\$50,000
	<i>Indirectly impacted</i>	Nil	Nil	\$10,000	\$20,000	\$30,000
Concessional loan	<i>Directly impacted</i>	Up to \$50,000	Up to \$100,000	Up to \$150,000	Up to \$200,000	Up to \$250,000
	<i>Indirectly impacted</i>	Up to \$25,000	Up to \$50,000	Up to \$75,000	Up to \$100,000	Up to \$125,000
Vouchers for professional advice	<i>Directly impacted</i>	\$250	\$500	\$750	\$1000	\$1250
	<i>Indirectly impacted</i>	Nil	\$250	\$500	\$750	\$1000

We understand that for this model to be successful, there would need to be appropriate arrangements available to begin administering these support programs as soon as a disaster is declared, similar to the Federal Emergency Management Agency and the Small Business Administration in the US. Those arrangements could be outsourced to relevant financial institutions.

The concessional loans could be structured to include an advance that is distributed within, say, five days of an application, as is the case with the disaster assistance provided to small business by the US Small Business Administration, with the remainder of the loan provided following an appropriate credit assessment.

Providing assistance to indirectly impacted businesses is also important to economic recovery in impacted areas. We note that the US Small Business Administration provides disaster assistance to cover physical damage and economic injury. The recent JobKeeper payment for businesses, in response to the COVID-19 pandemic, is predicated on the business suffering at least a 30 per cent decline in turnover – this appears to be a reasonable starting point to determine indirectly impacted businesses.

In addition to financial assistance, business need access to appropriate, quality advice to help them respond and recover from the natural disaster. CPA Australia is of the view that businesses' existing professional accountant is best able to provide that advice.

We note from the 2019-20 bushfires and previous natural disasters, that governments and others have sought to provide *pro bono* professional advice from outside of affected areas to impacted business– we assume on the basis that this will fill a perceived gap. While commendable, this policy assumption is arguably flawed, as professional advice services already exist in impacted areas and nearly all businesses would have been accessing such advice.

The vast majority of businesses use an accountant to meet their tax compliance obligations (95 per cent of businesses use a tax agent to lodge their income tax return)<sup>1</sup>, and hence already have access to needed advice. Given this, governments should be encouraging impacted businesses to seek advice from their existing professional accountant rather than creating a separate professional advice network that would compete with local accountants, in disaster-affected areas.

An impacted business's existing accountant is best placed to assist it make decisions during times of crisis as well as preparing documentation required for concessional loans and other assistance. Further, bringing in outsiders to provide advice to business can disrupt existing relationships between business and their accountant and may increase business costs in the long run, as the new adviser lacks intimate understanding of the business and local conditions.

Vouchers that impacted businesses can use with their local accountant for professional advice would recognise that many of the professional skills required to assist business recovery are already on the ground in impacted areas. This encourages local solutions and keeps money in impacted areas.

Examples of government incentives for business to use for professional advice from their existing adviser include:

- The Tasmanian Government's [Business Continuity Grant](#) of \$750 to encourage Tasmania's small businesses to seek professional advice to help them manage through COVID-19.
- The Irish Government's [Business Continuity Voucher](#) of €2500 to encourage small Irish businesses to seek professional advice to help them develop short-term and long-term strategies to respond to the COVID-19 pandemic.

CPA Australia also observed different approaches to the delivery of assistance between the States, following the recent bushfires. This creates confusion and potentially places some businesses at a competitive disadvantage based on where they are located. The 'break in case of emergency' model would work best if there is one single national administration. The States may wish to add their own support in addition to the above, although we note that multiple programs tend to create uncertainty and confusion.

Additionally, the need to establish an entirely new small business financial counselling service highlighted that there is a capability gap to support small businesses in distress. This service has been established with a short-term lifespan but perhaps services like this should be recognised as a core capability for addressing the impacts of disasters that could be ongoing and scaled up and down over time in line with demand.

***The Royal Commission should consider recommending to Government that it:***

- *Establish pre-determined standard levels of assistance for business that government can activate and scale up or down quickly for the nature and magnitude of the disaster. This would expedite the delivery of appropriate, well considered support to directly and indirectly impacted businesses.*
- *Consider how best to enhance standing arrangements between the Federal and State governments to coordinate the flow of support grants, loans and on the ground support in the event of a natural disaster.*
- *Consider how governments can best leverage locally based professionals to support impacted businesses.*
- *Determine the key capabilities required to support business and the community after an emergency or disaster and ensure these are continuously maintained so they can be scaled up quickly with existing expertise and experience.*

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<sup>1</sup> See <https://www.ato.gov.au/About-ATO/Managing-the-tax-and-super-system/Insight-building-trust-and-confidence/Big-pictures/Tax-professionals/>

## **(b) Improving resilience and adapting to changing climate conditions**

CPA Australia notes the opening passage of the second Term of Reference, in particular:

*“Australia’s arrangements for improving resilience and adapting to changing climatic conditions, what actions should be taken to mitigate the impacts of natural disasters”.*

The science, politics and economics of climate change and sustainable development have long dealt with controversies about the relative merits and efficacy of adaptation versus mitigation policies. The consensus which has emerged over at least three decades of debate is that an integrated portfolio involving both trying to avoid greenhouse gas emissions (mitigation), whilst at the same time working towards coping with the impact of global warming (adaptation), is essential.

With this in mind, CPA Australia believes the highlighted passage (above) risks either downplaying or presenting a lost opportunity to address the complex and interdependent economic, environmental and social costs of climate change. Mitigating the impacts of natural disasters is critically dependent, we argue, on a coherent climate change policy which addresses aspects of both adaptation and mitigation. It is in this context that we strongly urge the Commission to consider in depth the recent report from the Climate Change Authority (CCA) [Prospering in a Low-emissions world: An updated policy toolkit for Australia](#) (March 2020), a number of elements from which are highlighted below.

First, however, we offer some comments on Australia’s climatic conditions relevant to this Term of Reference.

The November 2018 CSIRO and Bureau of Meteorology fifth biennial [State of the Climate Report](#) states that future prospects are ones of increased sea and air temperatures, further sea level rises and ocean acidification, and decreased rainfall across southern Australia with more time in drought, but an increase in intense heavy rainfall throughout Australia. More recently the Bureau of Meteorology’s annual climate change statement for 2019 stated amongst a range of outcomes that 2019 was Australia’s:

- warmest on record with the annual national mean temperature 1.52°C above average, and
- driest year on record with rainfall below average for most parts of Australia, though above average for parts of Queensland’s northwest and northern tropics.

This data and analysis emphasises Australia’s persistently shifting climatic conditions, which compel the need to address bushfire and other national disaster responses in a coherent manner that recognises national interdependencies and international dependency.

The interconnected character of climate change risk has obvious and direct implications for numerous aspects of environmental policy including water resources, land management, biodiversity and other natural assets, waste and air quality. Moreover, sound environmental policy is directly linked to social and economic wellbeing such that climate change should increasingly become a pervasive element across a widening spectrum of public policy which are traditionally driven by economic ideas of market efficiency and transparency.

Improvements in Australia’s environmental management and governance practices are critically dependent on substantially greater collaboration between Federal, State and Local governments and across industrial sectors that are reliant on, or impacting on, natural assets and the environment. In these regards, CPA Australia commends the government on establishing the Royal Commission and strongly urges pursuit of long-term outcomes that assist continuity across political cycles, and which embrace the business community, which is both prone to disruption in continuity and an essential part of economic and social recovery in times of natural disaster.

To this end, we highlight to the Royal Commission Chapter 7, Recommendation 7 of the CCA Report. The crux of this recommendation concerns a reinvigorating of the 2015 National Climate Resilience Adaptation Strategy. The CCA notes that investment to this strategy has been sporadic, notwithstanding the associated research initiatives addressing key attributes of interconnected climate impact and the compounding risk of natural disaster.

Elsewhere in Chapter 7 (section 7.4) the CCA address the leadership role of the Australian Government in improving Australia's preparedness for climate change impacts. Two factors identified by the CCA are:

- the policy leadership role it plays in areas such as agriculture, water, energy, national disaster risk management and biosecurity, and
- the significant levels of funding it provides to the States and Territories for spending on hospitals, transport infrastructure and national disaster recovery.

On the first of these factors, the CCA provides a highly worthwhile analysis of current and potential initiatives for integrating climate and disaster resilience into whole-of-government responses to climate change and provides suitably granular information for both short- and long-term planning by business and the community. The CCA concludes:

*A systematic and ongoing approach to the production and delivery of climate change information is needed. Knowledge transfer or brokering between agencies and the wider community will require development and scale to ensure appropriate information is provided to those who require it to support decision making.*

Although the CCA cautions that the development of many of the identified initiatives are at early stages, CPA Australia is of the view that many of the issues underlying this Term of Reference are addressed in both Chapter 7 and throughout the CCA's 2020 Report.

The second factor identified by the CCA concerns the funding role of the Australian Government. It is abundantly clear that responding to the evolving COVID-19 health and related economic crisis will pose huge challenges for national fiscal policy for many years to come. However, climate change remains an existential threat with both separate impacts and likely compounding of societal and economic consequences from the pandemic.

Though likely falling outside of a strict narrow interpretation of the Commission's Terms of Reference, we urge that, where possible, the Commission's findings and recommendations reflect as strongly as possible the imperatives of building an effective and enduring climate change response. CPA Australia suggests that the basis for making hard decisions about the prioritisation of public expenditure can be found in the analysis undertaken by the CCA in Chapter 14 of its report. Three recommendations and four sub-recommendations in this Chapter point directly to the role of government as an incubator of technological innovations that are then driven by industry and the finance sector, ultimately propelling both national competitiveness and climate resilience.

With respect to the imperative for a blending of climate change policies which suitably prioritise mitigation through progressive reduction in greenhouse gas emissions towards a net-zero position within the terms of the United Nations Framework Convention on Climate Change (2015 Paris Agreement), the CCA Report provides the following salient, and indeed alarming, assessment (page 48):

*Based on the remaining global carbon budget, implementing current unconditional Nationally Determined Contributions (NDCs) would lead to a global mean temperature rise of 3.2°C by the end of the century relative to pre-industrial levels and a continued rise thereafter (UNEP 2018). The current level of NDC ambition needs to roughly triple for emissions reductions to be in line with the 2°C temperature goal and increase fivefold for the 1.5°C goal (WMO et al. 2019).*

These facts show unequivocally that resilience and adaptation must develop in lockstep with climate change mitigation through effective policies of greenhouse gas emissions reduction. Two matters stemming from these assessments, both addressed by the CCA, CPA Australia believes are highly significant to the Royal Commission's deliberations: the perennial argument around cost of action versus inaction and the risk of tipping points.

On the first of these matters the CCA observes (page 25):



*In the 2016 Special Review, the Authority noted the work of the Garnaut Climate Change Review (Garnaut 2008) which drew on a wide range of expertise and models and found that the measurable costs of climate change were considerably more than the cost of strong action to reduce emissions. Other studies since then have also reached this conclusion (IRENA 2019a; UNEP Finance Initiative 2019). A study by the University of Melbourne has estimated the cost of climate change across the Australian economy in the hundreds of billions of dollars in 2030 and at more than A\$ trillion in cumulative damages by 2100, even excluding many costs of flood, fire and environmental losses (Kompas et al. 2019).*

The tragic events leading up to the establishment of the Royal Commission, along with the wide ranging analysis undertaken by the CCA, confirm the compressed timeframe for action, the cost of which will only rise further in the absence of deliberate, coordinated and long-term policy and investment action across all tiers of government, and in which there is deep engagement with the Australian community, the business sector included.

Addressing the notion of climate tipping points, the CCA also observes (Box 3 page 23):

*The higher the concentration of greenhouse gases in the atmosphere, the greater the risk of non-linear changes in the climate, including passing ‘tipping points’ in climate systems. ‘Tipping points’ can lead to large changes in the state of the climate and ecosystems from which it can take thousands of years to millions of years for the Earth to return. Some tipping points, such as species extinctions, are irreversible.*

This observation of the looming risks reinforces CPA Australia’s view that due regard and weight must be given to climate change mitigation. It also points markedly to matters canvassed in one of the Royal Commission’s further Terms of Reference, namely (f.)(ii) dealing with ways in which Australia could achieve greater national coordination and accountability on matters, including “wildlife management and species conservation, including biodiversity, habitat protection and restoration”.

Well before the recent bushfires disaster, Australia’s biodiversity status and trends were arguably dire. The OECD in its 2019 Environmental Performance Review of Australia noted that (page 44):

*The status of biodiversity is poor and worsening. Australia had the second highest deterioration of biodiversity in the world, after Indonesia, between 1996 and 2008. - - - The main pressures are from: land clearing and habitat fragmentation for grazing, urban development, infrastructure and extractive industries; alterations to watercourses, water use and coastal pressures; invasive species such as feral cats, foxes and weeds; and fire; pollution, disease and climate change. The pressures interact with each other, exacerbating vulnerability.*

Many aspects of this ‘catalogue’ of interconnected externalities or consequences of naïve or reckless decision making, associated with establishment of Australia’s wealth and current wellbeing, are themes either directly influencing or underlying both the establishment of the Royal Commission and the recent work of the CCA. The challenges are daunting and our assumptions, with apologies to Donald Horne, about the ‘lucky country’ are under significant threat.

It is on this basis that CPA Australia reiterates its strong urging for climate mitigation to feature as a key part of the Royal Commission’s deliberations and that this be developed with reference to the analysis and recommendations in the CCA’s March 2020 updated climate policy toolkit for Australia.

***The Royal Commission should consider recommending to Government:***

- *In addressing the threat of national natural disasters posed by climate change, that appropriate weight is given to mitigation as well as adaptation measures*
- *The adoption of long term and effective emissions reduction goals, to provide a meaningful progression towards the centrality of climate mitigation and adaptation across both environmental and social policy*
- *To draw on the recent report and ongoing work of the Climate Change Authority in such matters as:*
  - *Determining the appropriate roles and sharing of responsibility across tiers of government*

- *Understanding the interconnection and interdependencies of shifting climatic conditions and the natural environment in extended social and economic terms*
- *Addressing the challenges of fiscal policy and public expenditure, which also draw on opportunities for business sector involvement and the development of international economic competitiveness.*

#### **(d) Relevant incidental matters – financial literacy**

In relation to matter (a) in the Terms of Reference, in particular the preparedness for recovery from natural disasters, consideration should be given to the level of financial literacy in the community, particularly in relation to appropriate levels of insurance and making financial decisions during the recovery phase.

##### ***Insurance literacy***

During the 2019-20 bushfire crisis, underinsurance has again been identified as a serious concern. Past surveys have suggested more than 65 per cent of affected households were underinsured<sup>2</sup>. Research conducted for the Victorian Government in 2016 found only 46 per cent of households were adequately insured against the potential impacts of emergencies, while 28 per cent were under-insured and 26 per cent had no insurance<sup>3</sup>.

There are a number of factors that can contribute to underinsurance or non-insurance, such as the cost of insurance, higher building costs to meet stricter building codes in bushfire prone areas when rebuilding, and in some cases insurance payouts being required to pay off mortgages resulting in more funds being required for re-building.

Being underinsured is common but often unintentional. The Federal government attempts to improve financial literacy with respect to preparing for natural disasters and ensuring against underinsurance through the [Money Smart website](#). However, the levels of underinsurance and non-insurance identified suggests more could be done at a community level to educate households and businesses to ensure they are adequately prepared and covered if disaster strikes.

##### ***Making financial decisions***

During the initial recovery phase after a natural disaster, cash flow may be compromised. People or businesses may turn to borrowing to fill short-term gaps in their cashflow while waiting for claims payments or emergency grants. This may have longer-term ramifications when needing to repay debt later in the recovery phase.

Conversely, large financial windfalls may be received due to insurance payouts, government grants, or charity assistance. It may be tempting to deposit these disaster recovery funds into an existing savings account. However, general use of an everyday savings may unintentionally erode these funds before they are used for their intended purpose.

Unfortunately, significant events such as natural disasters also attract those seeking to benefit from others' misfortune. There have already been numerous examples of scammers in bushfire affected areas taking advantage of people's goodwill or benefiting from those in need. With many people in disaster affected areas receiving lump sum payments, it is likely this will attract fraudsters seeking to take advantage in a range of different ways for their own financial gain.

<sup>2</sup> [Response to Issues Paper on Natural Disaster Funding Arrangements, Legal Aid NSW submission to the Productivity Commission, June 2014](#)

<sup>3</sup> [Promoting financial resilience to emergencies through home and contents insurance, State of Victoria, Department of Health and Human Services December, 2017.](#)



Financial literacy has long been a problem in Australian society. In a financial literacy survey conducted as part of a Household, Income and Labour Dynamics in Australia (HILDA) survey in 2018, less than half those surveyed could answer five basic financial literacy questions correctly<sup>4</sup>.

In times of distress after a natural disaster, making sound financial decisions may be difficult and may not be a priority when people are at their most vulnerable. However, at these times it is important to ensure people in affected communities are aware of the issues mentioned above, the risks involved and the decisions that need to be made. Relevant, quality information needs to be made available in a timely manner. As an example, CPA Australia produced a two-page [fact sheet](#) on the main financial decisions that may need to be considered following a natural disaster. A similar standard fact sheet could be produced by authorities to be distributed following natural disasters.

***The Royal Commission should consider recommending to Government that:***

- *ASIC liaise with organisations such as the Insurance Council of Australia to develop a guide to insuring for national disasters, for national distribution*
- *ASIC develop a guide on the major financial decisions that need to be considered during the recovery phase after a natural disaster.*

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<sup>4</sup> <https://www.intheblack.com/articles/2019/02/01/australians-struggle-financial-literacy>