



**POLICY COSTING REQUEST – DURING THE CARETAKER PERIOD FOR A  
GENERAL ELECTION**

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| <b>Name of policy:</b>                                                                                                                                                | Preparing for Extreme Weather                                                                                                                                                                                                                                                                                                                                                                                          |
| Person requesting costing:                                                                                                                                            | Senator Milne                                                                                                                                                                                                                                                                                                                                                                                                          |
| Date of request to cost the policy:                                                                                                                                   | 14 August 2013                                                                                                                                                                                                                                                                                                                                                                                                         |
| <i>Note: This policy costing request and the response to this request will be made publicly available.</i>                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Has a costing of this policy been requested under Section 29 of the Charter of Budget Honesty (i.e. from the Treasury or the Department of Finance and Deregulation)? | No                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Details of the public release of this policy (Date, by whom and a reference to that release)                                                                          | July 25 2013. Senator Milne<br><a href="http://greens.org.au/sites/greens.org.au/files/Preparing_for_extreme_weather_0.pdf">http://greens.org.au/sites/greens.org.au/files/Preparing_for_extreme_weather_0.pdf</a>                                                                                                                                                                                                     |
| <b>Description of policy:</b>                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Summary of policy (as applicable, please attach copies of relevant policy documents):                                                                                 | The policy is to better prepare the community by:<br>1. Expanding the existing National Disaster Resilience Program by increasing funding to over \$350 million per year;<br>2. Maintaining the National Climate Change Adaptation Facility with \$10 million per year for a second 5 years funding round; and<br>3. Placing a levy of \$2 a tonne on thermal coal exports to raise the money to protect the community |
| What is the purpose or intention of the policy?                                                                                                                       | To reduce the harm done by natural disasters such as floods, bushfires, cyclones and storms.                                                                                                                                                                                                                                                                                                                           |
| <b>What are the key assumptions that have been made in the policy, including:</b>                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Is the policy part of a package?<br>If yes, list and outline components and interactions with proposed or existing policies.                                          | No                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Where relevant, is funding for the policy to be demand driven or a                                                                                                    | Capped at the level of funding raised by the export coal levy.                                                                                                                                                                                                                                                                                                                                                         |

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| capped amount?                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                 |         |         |         |
| Will third parties (for instance the States/Territories) have a role in funding or delivering the policy?<br>If yes, is the Australian Government contribution capped, with additional costs to be met by third parties, or is another funding formula envisaged? | No. State Government's contribute to disaster resilience expenditure through the National Partnership Agreement on Natural Disaster Resilience, but the policy removes removing the existing limitation constraining the Commonwealth to contributing only up to only 50% of the cost of a project, in recognition of the fact that some state and local governments will be unable to match the Commonwealth's spending power. |         |         |         |
| Are there associated savings, offsets or expenses?<br>If yes, please provide details.                                                                                                                                                                             | There would be savings in the form of reduced future disaster recovery costs.                                                                                                                                                                                                                                                                                                                                                   |         |         |         |
| Does the policy relate to a previous budget measure?<br>If yes, which measure?                                                                                                                                                                                    | Although this policy involves much greater expenditure, it is similar to the Prime Ministers announcement about the National Insurance Affordability Initiative which will invest \$50 million a year in targeted flood and other natural disaster mitigation measures, as well as establish a National Insurance Affordability Council.                                                                                        |         |         |         |
| If the proposal would change an existing measure, are savings expected from the departmental costs of implementing the program?                                                                                                                                   | No                                                                                                                                                                                                                                                                                                                                                                                                                              |         |         |         |
| Will the funding/program cost require indexation?<br>If yes, list factors to be used.                                                                                                                                                                             | No                                                                                                                                                                                                                                                                                                                                                                                                                              |         |         |         |
| <b>Expected impacts of the proposal</b>                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                 |         |         |         |
| If applicable, what are the estimated costs each year? If available, please provide details in the table below.<br>Are these provided on an underlying cash balance or fiscal balance basis?                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                 |         |         |         |
| <b>Estimated financial implications (outturn prices) <sup>(a)</sup></b>                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                 |         |         |         |
|                                                                                                                                                                                                                                                                   | 2013-14                                                                                                                                                                                                                                                                                                                                                                                                                         | 2014-15 | 2015-16 | 2016-17 |
| Underlying cash balance (\$m)                                                                                                                                                                                                                                     | -                                                                                                                                                                                                                                                                                                                                                                                                                               | -       | -       | -       |
| Fiscal balance (\$m)                                                                                                                                                                                                                                              | -                                                                                                                                                                                                                                                                                                                                                                                                                               | -       | -       | -       |

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| <p>(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number in the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.</p>                                                                                                 |                                                                                                                                                                                                                                                   |
| What assumptions have been made in deriving the expected financial impact in the party costing (please provide information on the data sources used to develop the policy)?                                                                                                                                                                                                                                     | Revenue raised by coal levy hypothecated to disaster mitigation fund. PBO previously estimated levy revenue as \$234m in 14/15; \$347m in 15/16 and \$387m in 16/17.                                                                              |
| Has the policy been costed by a third party?<br>If yes, can you provide a copy of this costing and its assumptions?                                                                                                                                                                                                                                                                                             | Yes, by the PBO on 7 June 2013.                                                                                                                                                                                                                   |
| What is the expected community impact of the policy?<br>How many people will be affected by the policy?<br>What is the likely take up?<br>What is the basis for these impact assessments/assumptions?                                                                                                                                                                                                           | Greater resilience to natural disasters such as floods, bushfires, cyclones and storms wherever investment is focussed. Fewer fatalities and injuries, reduced damage bills, reduced insurance costs.                                             |
| <b>Administration of policy:</b>                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                   |
| Who will administer the policy (for example, Australian Government entity, the States, non-government organisation, etc.)?                                                                                                                                                                                                                                                                                      | Projects will be prioritised and targeted by a new National Resilience Advisor and a National Resilience Advisory Group.<br><br>The National Partnership Agreement on Natural Disaster Resilience is administered by the Attorney General's Dept. |
| Should departmental expenses associated with this policy be included in this costing?<br>If no, will the Department be expected to absorb expenses associated with this policy?<br>If yes, please specify the key assumptions, including whether departmental costs are expected with respect to program management (by policy agencies) and additional transactions/processing (by service delivery agencies). | Any increase in Departmental costs should be covered by the funds raised by the levy on coal exports.                                                                                                                                             |
| Intended date of implementation.                                                                                                                                                                                                                                                                                                                                                                                | 1 July 2014.                                                                                                                                                                                                                                      |

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|----------------------------------------------------------------------------------------|---------|
| Intended duration of policy.                                                           | Ongoing |
| Are there transitional arrangements associated with policy implementation?             | No      |
| List major data sources utilised to develop policy (for example, ABS cat. no. 3201.0). | No      |
| Are there any other assumptions that need to be considered?                            | No      |

**NOTE:**

*Please note that:*

- *The costing will be on the basis of information provided in this costing request.*
- *The PBO is not bound to accept the assumptions provided by the requestor. If there is a material difference in the assumptions used by the PBO, the PBO will consult with the requestor in advance of the costing being completed.*