



PRIME MINISTER

FOR MEDIA

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Following the visit to Newcastle yesterday by the Prime Minister and the Acting Prime Minister, Mr Lionel Bowen to assess the situation following the earthquake, the Acting Prime Minister announced today arrangements for Commonwealth assistance, including financial assistance, to Newcastle.

Mr Bowen noted that the Natural Disasters Organisation (NDO) had worked quickly and effectively with the State and local authorities in Newcastle in the immediate aftermath of the earthquake and that all requests made to the NDO had been met.

He said that the Commonwealth Government Counter Disaster Task Force (CDTF) met this afternoon to take stock of the situation in Newcastle and to consider future arrangements. The CDTF is chaired by a senior official of the Department of the Prime Minister and Cabinet and brings together a wide range of Commonwealth Departments involved in responding to a natural disaster. It provides the connecting link between the NDO and the Government in the immediate emergency phase and a mechanism for co-ordination of assistance for rehabilitation.

Mr Bowen said that the Commonwealth Government fully recognised the need for longer term assistance in the rehabilitation of Newcastle and pledged that the Commonwealth would play its part. Financial assistance would be provided under the terms of the Commonwealth's Natural Disaster Relief Arrangements (NDRA) program. Details of these arrangements are set out in the attachment.

These arrangements provide for Commonwealth assistance in support of State grants on eligible measures for the relief of personal hardship and distress. The Commonwealth will meet at least fifty per cent of New South Wales' outlays on personal hardship and distress. Other measures eligible for assistance under the NDRA include concessional loans to small businesses, to needy persons and to voluntary non-profit bodies. In addition there is provision for assistance in the restoration of public assets.

Mr Bowen also announced that the Commonwealth Government is prepared to match a New South Wales State government contribution up to \$250,000 to the Relief Fund established by the Lord Mayor of Newcastle. Moreover Mr Bowen said that donations of \$2 or more to such a fund for the relief of persons affected by the earthquake would be tax deductible. Precise arrangements for the Fund will be the subject of further discussion.

Mr Bowen said that special arrangements would be made to ensure that social security benefits, pensions and family payments would continue to reach recipients. He also noted that there was provision for persons severely affected by a natural disaster to receive special benefits. The Prime Minister will be meeting the Premier of New South Wales, Mr Greiner, next week to discuss the situation in Newcastle.

DETAILS OF THE COMMONWEALTH'S NATURAL DISASTER RELIEF ARRANGEMENTS

1. Commonwealth assistance for natural disaster relief is currently incorporated within the Natural Disaster Relief Arrangements (NDRA) program which is administered by the Department of Finance.
2. Under the NDRA, the Commonwealth financially assists the States and the Territories to meet the unpredictable, and sometimes large costs of providing natural-disaster-relief and restoration. The States have the primary responsibility under the Constitution for the administration, provision and financing of natural disaster relief.
3. Disasters currently covered by the arrangements are bushfires, cyclones, earthquakes, floods and storms.
4. The terms and conditions of assistance and the administrative arrangements under the present NDRA framework, effective from 1 July 1985, are set out in a document, signed by the Minister for Finance in July each year to apply for that financial year. The document is to be updated and revised each year.
5. Under the arrangements, the Commonwealth reimburses at least 50% of State outlays on eligible measures for the relief of personal hardship and distress. In respect of other eligible relief and restoration measures, the Commonwealth provides financial assistance when a State's total outlays on those measures in a financial year exceeds its assessed financial capacity, as represented by an annual base amount.
6. The base amounts are set at 0.225% of State annual general government revenue and grants two years earlier (the latest available data). Commonwealth assistance is on a \$ for \$ basis in respect of outlays by a State above its base amount for amounts up to 75% above the base amount and \$3 Commonwealth to \$1 State thereafter.
7. Under the NDRA, the States have responsibility for selecting, within agreed guidelines, the specific measures to be eligible for assistance. The arrangements provide for the Commonwealth to be informed of all relief measures and for the Minister for Finance to decide, in consultation with the relevant State Minister, on the eligibility of a relief measure which might be considered inconsistent with the guidelines.

8. Under the current NDRA, it is the States which advise on the occurrence of eligible natural disasters and the introduction and withdrawal of eligible relief measures.
9. In adopting eligible relief measures, a State is required to broadly observe the following guidelines:
 - (i) Assistance is not to supplant, or operate as a disincentive for, self-help by way of either commercial insurance or appropriate strategies of disaster mitigation.
 - (ii) So far as practicable, assistance is to be designed to achieve an efficient allocation of resources.
 - (iii) Other than for personal hardship relief measures, concessional-interest loans are generally to be preferred to non-repayable grants.
10. Categories of State relief measures which are currently eligible for Commonwealth assistance under the NDRA are:
 - . grants for relief of personal hardship and distress, such as the provision of emergency food, clothing and accommodation;
 - . concessional loans to farmers or operators of small businesses, whose assets (including fodder) have been significantly damaged and who have no reasonable access to commercial finance but who have reasonable prospects of long term viability;
 - . concessional loans to needy persons or voluntary non-profit bodies whose assets have been significantly damaged and who have no reasonable access to commercial finance;
 - . grants for the restoration of essential public assets, owned by eligible public undertakings; and
 - . certain subsidies.

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