

ASIAN BUSINESS FORUM BANGKOK 2016

BUSINESS CASE OF DISASTER AND CLIMATE RESILIENCE

Address by Phillip Gibson

New Zealand Special Envoy Disaster Risk Management.

What I am going to talk about today is the role of the Private Sector in New Zealand's approach to Disaster Risk Management.

Before I do that a quick word about New Zealand. For those of you who may think of us as an incredibly beautiful, relatively rich, stable, well educated country.....yes we are. All of that.

We are also disaster prone. We straddle the convergence of the Pacific Plate with the Australian Plate. We are part of the Pacific rim of fire.

Earthquakes, volcanoes, storms, flood, droughts.....you name it we've got it. And we get a lot of practice.

What I am going to say is shaped very much by the lessons we have learned and continue to learn from the series of earthquakes and aftershocks that devastated Christchurch, New Zealand's second largest city in February 2011.

Among the 185 killed, eight young Thais died that day. We grieve for them as our own.

The cost of the earthquakes was over \$40 billion, roughly 20 percent of our GDP. Over five years down the track and into recovery and regeneration, we are still learning, particularly the health and societal costs.

The main point that I want to make is that the Private Sector is fundamental to functioning communities and so is critical to **community resilience**. This is especially so in coping in the immediate aftermath of a disaster and getting recovery under way. We need to be able to harness the Private Sector in our DRM planning and what it brings to the table.

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So to begin.

Whatever your economic philosophy, doing business, the exchange of goods and services, these basic activities underpin Communities and Societies. When those wheels are stopped or impaired, so too is the Community.

A major lesson for New Zealand from the Christchurch earthquakes was just how important the role of the private sector is, in maintaining a functioning society and particularly in getting recovery under way.

A quick story from Christchurch. An immediate and devastating result of the earthquakes in February 2011 was that the whole of the Central Business District had to be shut down. Immediately. About 6000 businesses, 50,000 people.

Over 90 per cent of the businesses in Christchurch were small and medium enterprises. Now, SMEs are fundamental in most economies and especially vulnerable to disasters.

So, out of their premises, no business, no work, critically, no cash flow. What the Government did was to provide a quick subsidy to employers to help them pay their employees. It was roughly \$500 per week per full time employee for several weeks.

Paper work was kept to the minimum. The scheme was operated largely on trust and involving private sector leaders such as the Chamber of Commerce. And that was critical. Business people talk much more easily to other business people than they do to Government officials.

The essential point of this support was that it was to the employers, not the employees. The objective was to keep businesses going, keep people employed. And it did.

It was remarkably successful. International experts had predicted a 20 per cent drop in Christchurch' GDP post earthquake. It did dip a few percent in the first few months, but quickly recovered and has performed strongly since.

A second important lesson from Christchurch was the role of the Private Sector going beyond business continuity and into driving **recovery**.

Leadership and communication from business leaders was important in re-assuring the community, maintaining confidence.

It was a powerful message when the family owner of Ballantynes an old department store, something of an icon in the history of Christchurch said, we are not quitting, we are staying, reopening.

And they did, and people took their cue from that.

And there were some really innovative private sector initiatives – such as setting up a central retail precinct using shipping containers, establishing an IT cluster: and working with the Government and other stakeholders in developing a very effective public private partnership approach to horizontal infrastructure repair.

Just a quick word on this particular public private initiative. Intuitively, horizontal infrastructure should be the realm of hard hat engineers. Blokes in boots and machines, drilling holes and doing things.

This project, about \$3 billion was driven yes, by engineers, but **in partnership with the Red Cross**, an unlikely but as it turned out, superbly effective combination. Sure drilling holes and doing things, but also talking to, engaging with, understanding Community wants and needs.

Five, six years down the track we are still learning lessons around recovery and the private sector's critical input.

And one of those lessons is that **recovery just does not happen of its own accord**. It doesn't just begin when the immediate response is over.

Planning for recovery has to be right at the beginning of those four Rs, Risk, Readiness, Response, Recovery, as represented in Thai emergency planning, that **virtuous circle**. When you're talking Risk Reduction, that's when you need to be starting to plan for **Recovery**.

So this raises the question of how can the Private Sector best contribute in the whole Disaster Risk Management cycle. We know from experience in New Zealand its critical role in societal resilience when a disaster happens and in recovery.

But how can we harness the potential, the power of the Private Sector in the whole Disaster Risk Management process, in the quest for **resilience**.

In my view the private sector has a real role to play in this – and the main driver is **self interest**. The private sector is about business, about making a profit.

And it cannot do that, if a community is completely devastated by a disaster. At the same time, a fundamental driver of community wellbeing is people being gainfully employed.

So there is mutual and complementary interest between the private sector and the wider community.

I think this is increasingly being recognised – easy evidence is this Conference.

But there is probably no one formula for effective private sector involvement. It is likely horses for courses, it will happen at different speeds and at different levels of sophistication from society to society, community to community.

In New Zealand both a consequence and a driver of the increased emphasis on risk management and resilience is that DRM is no longer the preserve of the emergency management authority.

It is a multi sector, multi discipline exercise.

Within the Government, Treasury is involved, the Ministry of Business, Innovation and Employment, Ministry of the Environment and a range of others, my Ministry for instance, Foreign Affairs and Trade.

They bring with them particular links into the Private Sector. So the Private Sector is increasingly drawn into the discussions around resilience and in some instances the Private Sector have mandated roles.

For example certain utilities, we call them lifeline utilities **are required** under our Emergency Management legislation to “undertake civil defence emergency management and to perform functions and duties required.”

At the same time, and particularly as a result of the Christchurch experience, some of the bigger Private Sector players are actively seeking to contribute to building business and wider societal resilience.

A group has been formed called “Resilient New Zealand”. Its aim is to grow New Zealand’s resilience. I quote “We see this not only as surviving a disaster but thriving in the recovery and turning adversity into opportunity”

There will be similar groups in a number of countries represented at this conference. A particular challenge is how to cover Small and Medium Enterprises. Big Companies have the wherewithal to think about and plan risk management. SMEs less so. But they can be critical in the supply chain on which the bigger players depend.

It’s instructive that in many instances, how to look after their SME suppliers is part of the emergency planning of the larger enterprises.

A final comment. I think the Insurance industry has a growing role in in the whole DRM space, Insurance is about understanding risk and there is tremendous expertise and experience in that industry in that respect.

Also, for New Zealand, **insurance is a powerful tool in resilience**. We have very high levels of insurance. It has played a crucial role in the Christchurch experience. More than 80 per cent of Christchurch’s losses are covered by insurance.

Insurance can be a complex and sensitive and very political area. But there is no doubt that Christchurch’ ability to recover, regenerate, bounce back better, and the whole New Zealand economy would have been markedly different without it.

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So in conclusion, my main point:

The Private Sector is fundamental to functioning communities and so is critical to **community resilience**, especially in coping in the immediate aftermath of a disaster and getting recovery under way. We need to be able to harness the Private Sector in our DRM planning and what it brings to the table.