# Title: **Australia’s black summer bushfires ripped billions from the tourism industry. Is global warming making the cost of natural disasters worse?**

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As Australia headed into the summer of late 2019, Craig Wickham’s tour company Exceptional [Kangaroo Island](https://www.theguardian.com/australia-news/kangaroo-island) was doing better than ever. Founded in 1990, it was on track to hit $3m in annual revenue for the first time. “It was as good as the business had ever been,” Wickham says. “We were flying.” .

Instead, by early 2020, more than a third of Kangaroo Island, off the South Australian coast, was up in flames as what became known as Australia’s black summer bushfires tore through forests around the country.

Wickham, a volunteer firefighter, closed the business for eight days. The cancellations from Europe, the US and Canada started rolling in.

“We lost about half a million dollars in the first week,” Wickham says. There were big parts of the spectacular island unaffected but many tourists still cancelled months in advance.

The economic impact of the fires on Australia’s tourism industry would soon be forgotten. The country’s borders closed on 20 March that year to try to hold off a global pandemic.

But a new study published on Wednesday from the University of Sydney estimates the black summer bushfires impacts on tourism ripped $2.8bn almost instantly from the country’s economy.

The estimate, published in the journal [Economics of Disasters and Climate Change](https://link.springer.com/article/10.1007/s41885-024-00142-8), compared government tourism data from the previous year with the revenue from January, February and March 2020 while the fires were burning.

The study also accounted for the knock-on effects to the economy through the tourism supply chain, rather than just the loss of revenue.

Wickham’s business, for example, pays bills to almost 200 different companies or sole traders in the course of a year.

“That’s why it’s important that we look at the entire supply chain,” says Vivienne Reiner, a researcher at the university’s Integrated Sustainability Analysis centre, who led the study.

Reiner says the impacts on tourism were widespread and seen even in areas relatively unaffected by the fires. And the study’s findings only show the cost to one part of the [Australian economy](https://www.theguardian.com/business/australia-economy).

One [report suggested the country’s agricultural sector](https://www.sydney.edu.au/news-opinion/news/2021/12/13/black-summer-2019-20-bushfires-cost-farmers-5-billion-australia.html), for example, took a hit of between $4bn and $5bn from the black summer bushfires, with most of that figure representing direct losses to crops and livestock.

Cows stand in a field with bushfire burning in the background on Kangaroo Island in January 2020. Photograph: Paul’s Place Wildlife Sanctuary/Reuters

There has [already been an increase in the number of days in Australia](http://www.bom.gov.au/state-of-the-climate/australias-changing-climate.shtml) where the risk of fire is higher, and [fires are also burning larger areas](https://www.csiro.au/en/news/all/articles/2021/november/bushfires-linked-climate-change). As global heating continues, [climate models suggest the risks will rise even further](https://www.nature.com/articles/s41598-019-46362-x).

Global heating is affecting other extremes with increasing trends in the kind of downpours that can cause flash flooding, exacerbated by rising sea levels at the coasts.

A [2022 report commissioned by the Insurance Council of Australia](https://insurancecouncil.com.au/resource/new-research-shows-every-australian-pays-for-extreme-weather/) on the costs of extreme weather found the value of annual insurance claims had doubled since the period 1986 to 2005.

At the same time, the report said the federal government budget spending on disasters between 2005 and 2022 was heavily skewed to reacting to events – $24bn was spent on disaster relief but just $0.5bn was spent on “future-proofing and disaster resilience”.

The council says since black summer, insurers have paid out $16bn in claims from 13 declared insurance catastrophes or significant events.

But as the insurance council report noted, costs “do not reflect the full value of the personal economic loss” and, as the frequency and severity of extreme events rises, the report said: “The cost to government will increase alongside the cost of insurance claims.”

Prof Manfred Lenzen, a co-author of the University of Sydney tourism study, says there are several ways of calculating the cost of extreme events, including only counting immediate costs, or also counting knock-on costs.

“But in the end the effect of all these approaches is that as disasters become more severe, they knock out larger percentages of industries and their corresponding supply chains,” he says.

Models used by government to estimate costs are based on past events, Lenzen says. And this is a problem if current and future events are unprecedented.

“If we’re entering a severely shocked world from climate change, we don’t have observations from the past to give us a full picture of how households and businesses respond.”

Dr Karl Mallon, the chief executive of Climate Risk Group that analyses the costs and risks from global heating, says global warming is making hidden costs from natural disasters worse. He points to the health costs of inhaling bushfire smoke, the mental health toll, the inflation in rebuild costs due to demand for labour and materials; and the loss of jobs when businesses close up for good and how that cascades through the supply chain.

“Some of these costs are hard to put your finger on, but we do know about them,” he says.

One of Mallon’s biggest concerns is if insurers in Australia follow the lead of insurers in the US, where the risk of wildfire and rising rebuild costs is seeing [insurers refusing to write policies in California](https://www.sfchronicle.com/bayarea/article/farmers-insurance-california-wildfire-allstate-18189216.php).

Because mortgages required home insurance, Mallon says “imagine the collapse in [property] value … it would be immense”.

The federal government is due to release in the first quarter of this year the first of two reports that will form a national climate risk assessment to identify risks across the economy from climate change.

Senator Jenny McAllister, the assistant minister for climate change and energy, says for Australians experiencing extreme weather “the impacts can be devastating and long lasting”.

“We know last year was the hottest year on record, and that despite the ongoing international efforts to reduce emissions, some impacts of climate change are now unavoidable.”

Back on Kangaroo Island, Wickham says his own business has come through the fires and the pandemic well, while other tourism operators packed up or sold out. But he also sees a tension in his industry.

“From an international travel perspective, there’s tension between long-haul flights and carbon footprints, so we have to find ways to change what we do.

“The more successful we are internationally, the more problems we potentially create for ourselves unless we can decarbonise.”