MARSDEN JACOB ASSOCIATES

The $55-billion asbestos burden in NSW

While asbestos is no longer being mined or used in New South Wales (NSW), the presence of asbestos in the past, today and in the future is leading to big economic, social and environmental consequences across the State. Asbestos-related costs cover everything from asbestos-related disease (ARD) and premature death, to safe removal and disposal of asbestos-containing materials.

To address the impacts of asbestos, it is vital to act now to expand understanding of the true magnitude of this 'hidden' issue and explore policy, regulatory and program solutions to reduce the future impact.

Cost analysis of our asbestos legacy

Engaged by the NSW Environment Protection Authority (EPA), Marsden Jacob Associates undertook a base case (business as usual) cost analysis of the impacts of the state's asbestos legacy. We found the present value (PV) of these costs (the value today) to be approximately $55 billion.*

Importantly note that the estimate of $55 billion is likely to be an underestimate of the actual PV. It excludes unquantifiable costs associated with mental health, impacts on carers for those with ARDs, and environmental and recreational ramifications. Inclusion of these unquantified impacts would increase the overall asbestos-related cost impact far beyond $55 billion.

The quantifiable asbestos cost impacts identified and analysed fall into two broad categories:

1. Health, death and quality-of-life impacts

~$50 billion (PV)

By far the greatest economic burden is related to costs associated with ARDs.

Diseases that can develop from asbestos exposure, including lung cancer ($39 billion PV cost) and mesothelioma ($39 billion PV cost), often lead to premature death, reduced quality-of-life outcomes and adverse impacts on health systems that will continue to impact society and the NSW economy for many decades.

Traditional asbestos roofing sheet.

2. Safety impacts

>$4.4 billion (PV)

The State faces significant economic, social and environmental costs associated with the removal, transport, disposal, 'make-safe' and clean up of asbestos.

Many of these safety impacts – such as costs relating to emergency and asset management, education, monitoring, compliance and enforcement – must be met by households, businesses, governments and even insurers.

Quality of life

~$50 billion (PV)

Safety impact

>$4.4 billion (PV)

Unquantified impacts

Environmental, mental health, carers

**Over the 75-year base case period*

The risk of inaction: a case study

Wickham Wool Store fire, 1 March 2022.

Surry Hills Hat Factory fire, 25 May 2022.

The 2022 Newcastle and Sydney building fires

In 2022, fires at two historic asbestos-containing buildings in metropolitan Newcastle and Sydney provide stark examples of how early intervention could potentially:

- save millions of dollars in safety-related asbestos management costs – many of which are the sole responsibility of state governments
- help to mitigate the 'third wave' of ARDS.

The devastating building fires took place in 2022 – the first at the Wickham Wool Store in Newcastle on 1 March and the second at a former Hat Factory in Surry Hills, Sydney on 25 May 2022. Despite the similarities in the size of the building and the impacts of the fires, the total clean-up costs were vastly different:

- **Wickham Wool Store fire: >$15 million**
- **Surry Hills Hat Factory fire: ~$1 million**

Wickham Wool Store building fire clean-up costs were approximately **15 times** or **1500% *more*** than the Surry Hills Hat Factory fire. The difference? The Surry Hills Hat Factory had much of its asbestos-containing materials removed prior to the fire, unlike the Wickham Wool Store which had an asbestos roof.

The increasing cost of climate change

Comparing these building fires provides a powerful illustration of the magnitude of the cost differences that can emerge when responding to specific fire- and flood-related emergencies involving asbestos-containing built assets.

Critically there is also a growing risk of fires and floods occurring in NSW resulting from climate variability, including more intense fire seasons and rain events.

To minimise (avoidable) clean-up related costs, there is a compelling case to develop a risk-based program that focuses on removal of asbestos and prioritises high-risk locations.

Flattening the 'third wave' of asbestos-related diseases

Our analysis found that the most significant economic costs are those that arise from ARDs. Although new developments no longer allow the use of any asbestos-containing materials, significant risks related to the 'third wave' of ARDs stem from the rise in:

- renovations of older homes (pre-1990)
- DIY home projects – as costs to engage skilled tradespeople can be over 30% more if asbestos is present.
- climatic and other events, such as fires and flooding.

The challenging 'third wave' presents a valuable opportunity for governments to implement measures to reduce the future impacts and health-related costs by proactively working to identify and consider options to bring forward the safe removal and management of asbestos-containing materials in residential, commercial and public properties.

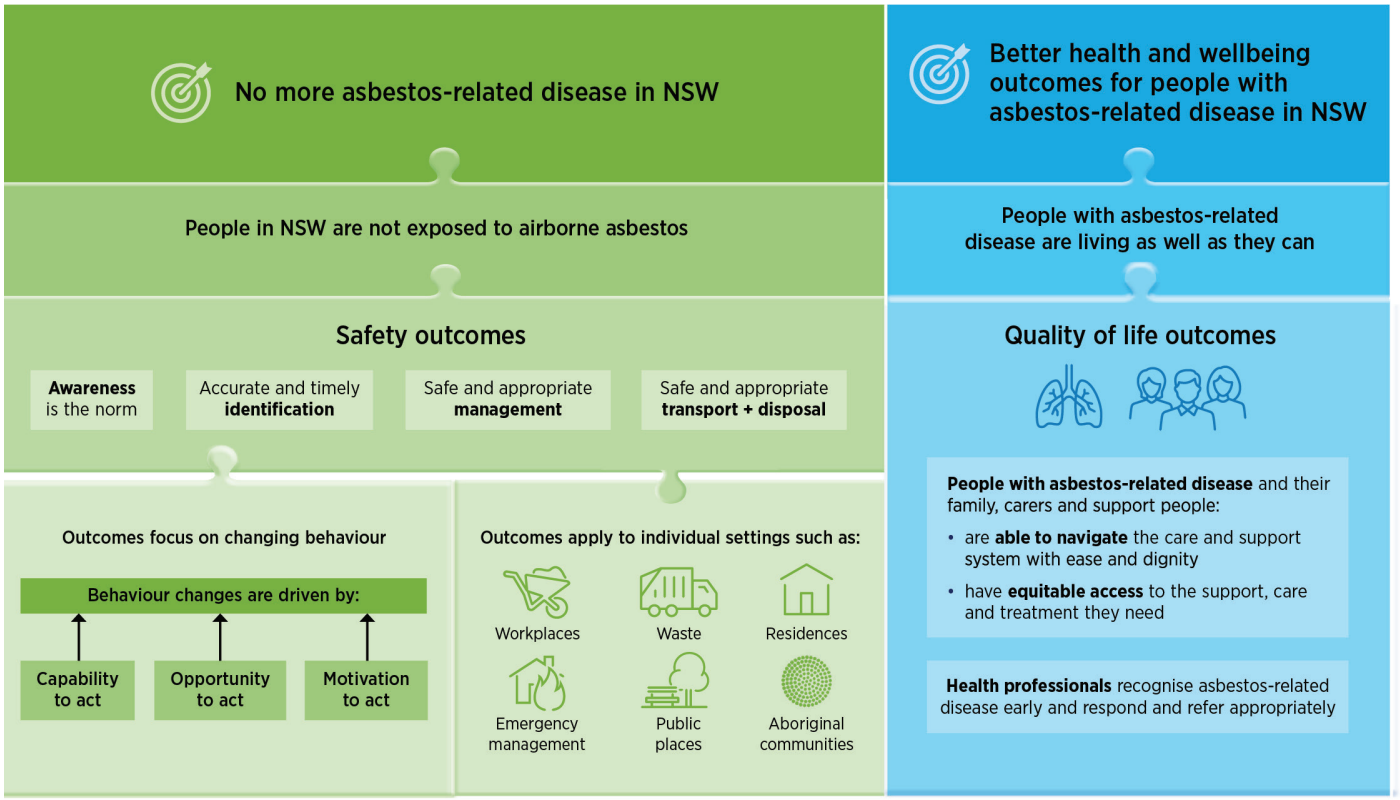
Addressing the asbestos legacy: next steps

The analysis undertaken by Marsden Jacob enables greater understanding of the past, present and future impacts of asbestos on the NSW economy.

But it shouldn't end there. The next step is to undertake further work on the options including cost-benefit analysis that leads to decisive and immediate action to mitigate future impacts.

The alternative is simply far too costly.

Outcomes framework for asbestos in NSW



Source: NSW EPA, 2022, Asbestos in NSW: Next Horizon

Project background and purpose

The EPA engaged Marsden Jacob Associates to undertake a base case cost analysis of the impacts of NSW's asbestos legacy on government agencies, businesses and our broader society. The resulting analysis identifies and quantifies these economic, social and environmental costs – the impacts of which will continue for decades to come in the absence of any new government or industry interventions.

The findings will:

- help the NSW Asbestos Coordination Committee (NACC) in its role to provide **whole-of-government coordination to drive action at a strategic level**
- support **strategy, policy development, intervention and investment** to reduce the asbestos legacy's heavy economic and social burden
- help move us towards the NACC's ultimate goal of **eliminating ARDs**.

Marsden Jacob's analysis focused on the issues relating to the NACC's Asbestos in NSW: Next Horizon priority areas for:

1. Keeping people safe.
2. Dealing with the legacy (ageing asbestos only).
3. Improving systems.

Some interesting facts

Housing demolition costs

Non-asbestos-containing:
~10% of insured value.

Asbestos-containing:
>20% of insured value.

Residential renovation costs

Asbestos-containing:
+30% for a kitchen or bathroom

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