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Architecture

Bushfires – Assets and Liabilities!

by David Cox September 28th, 2020

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This article is part of a series which deals with the effects of bushfires and wildfires in Australia and how to create better resilience against these.

The articles will collate different aspects of research and will raise conversation to help us better understand the subject.

Out of respect to those who lost their lives in last year's fires, I did not feel it appropriate to join the chorus of discussions from instant experts on remedies and solutions. However, it is time to move forward with measured and proven research in order to guide rebuilding efforts and to change how we build by learning from past failures.

The terms 'assets and liabilities' are part of an accounting method for separating numerically the elements of a business which are of positive value as opposed those which are of negative value. These assets and liabilities collate essential components indirectly incorporated in the balance sheet.

The latter differs from values of 'profit and loss' in that the balance sheet gives an overview of the value of a business as opposed to a yearly trading account. Consequently, simply examining profit and loss does not give a true picture of a company's health. It is possible to have a healthy yearly profit whilst having an unhealthy balance sheet.

If we were to examine the financial results of Australia's housing and built environment, it may appear that the vast amounts of investment we have contributed to create our current property and infrastructure portfolio have a high 'paper' value. However, the true value of this investment may be reduced when we consider the vulnerability of these assets to bushfires and other climate change impacts. In effect, our balance sheet may be less healthy than we originally believed.

The same could apply to the family home. Ignoring a possible insurance claim, a home could be worthless after a bushfire regardless of how much has been spent on building it. This leaves the owner with an asset of no value and an outstanding mortgage. In such a case, the home is a liability and not an asset.

For those who think that 'bush fires' only occur in the bush, remember that there are now [large tracts of the urban fringe of Australian cities which remain under threat](#). This was demonstrated by the 'breakout' wildfires in the outer suburbs of Sydney and Canberra early this year.

The recent bushfires extended from September last year until the end of March. We were therefore under attack for half a year. It exposed many weaknesses in our built environment and the stewardship of our natural resources. We were found exposed because of directionless development and the vulnerability of our built assets to both wildfires and bushfires.




Our continued practice of delivering buildings and infrastructure which are not suited to and resistant to our harsh environmental conditions is or could be deemed to be 'not fit for purpose'.

For many years, our politicians and other leaders have focussed on seeing the physical effects of building 'something'. Progress was evidenced by city skylines covered with cranes and half-built skyscrapers. On the urban fringe, progress was evidenced by covering vast tracts of land with the archetypal Australian built houses extending suburbia as far as the eye could see. But what if neither of these building forms are 'fit for purpose' or suitable for our harsh environment?






What I am saying is that by continuing the our present pattern of development, we may be creating liabilities in the future and not assets. Even without the full testing of this hypothesis, isn't there sufficient concern about climate change



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to warrant us to stop and consider the **true** cost of what we are building against the **real value** of infrastructure that we will be leave for the next generation?

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Taking this further, at the heart of the debate are questions about whether we believe in building assets rather than liabilities. Clearly, if we don't believe there is a future in our county, the answer is simple. We continue as we are, accept the vulnerability of our buildings and pass the liability onto the next generation. However, if we do believe in our country's future, we need to change what and how we build.

This is not simply a question of economics. Rather it is a method of assessing outcomes using different parameters.

Many have put forward similar ideas but perhaps have not expressed this issue in terms of money as above. I think we should talk about money. But rather than focusing on the purchase price alone, we need to examine the long term value of the assets we are building. This should be shown in Australia's 'balance sheet'. This exercise will lead into the utilisation of 'net present value' economic concepts.

There is a difference between arguing a theory and suggesting practical solutions. The following is an example which may help to define where we should be heading which embodies both theory and practice in relation to bushfire research.

I refer to the research and development project described as 'Xanthorrhoea 1' by Cox Architects which was submitted to the "2009 Victorian Bush Fires Royal Commission". Included in this submission was an ABC Radio interview with the architects of the project broadcast on the 5/3/2009. The theory was very briefly described in the interview as follows whilst the practice was the physical built form constructed to demonstrate the theory.

<https://www.coxarchitects.com.au/2009-victorian-bushfires-royal-commission/>

In summary I conclude by referring to the text associated with the above 2009 submission as follows:

"It is my ambition that our idea creates a meaningful trend towards responsible and sustainable building practices in the community where we build assets for the future not liabilities. I also look forward to working with industry in bringing these new ideas to the marketplace.

In the long term, it is my hope that rather than constructing buildings that are short lived and are exposed to environmental damage (such as bushfires) we design our houses and buildings to endure and survive. In that way, we will leave the next generation with something of value. It is hoped our research will assist the same by trying to adapt to the environment and responding to community needs." David Cox, Managing Director, Cox Architects, 2009.

By David Cox, Managing Director, Cox Architects

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by David Cox

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