



Hon David Crisafulli MP
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Commissioners Jonathan Coppel and Karen Chester
Natural Disaster Funding Arrangements
Productivity Commission
Locked Bag 2
Collins St East
MELBOURNE VIC 8003

Dear Commissioners

On behalf of the Queensland Government, I attach the State's formal response to the Commission's Draft Report into natural disaster funding arrangements.

The Queensland Government is disappointed with the content of the Draft Report, which is lacking in evidence-based recommendations to improve the effectiveness of natural disaster funding arrangements. It appears the Commission's review has been focused on reducing the Commonwealth Government's fiscal liability, rather than providing a world-class recovery model for Australia.

If implemented, the impact of the recommendations on Queensland communities would be devastating.

The Draft Report proposes reducing the current level of Commonwealth natural disaster funding support from 75 per cent to 50 per cent of costs, and also increasing the threshold levels at which funding support is available. Apart from a desire to achieve fiscal savings for the Commonwealth, little evidence has been presented to support or necessitate the proposed changes to the current fiscal arrangements.

Such a reduction in Commonwealth funding would merely shift these costs to the states and territories, which have significantly less capacity to raise additional funds. In addition to the estimated \$3 billion Queensland has spent since 2010-11 on rebuilding from natural disasters, and the \$500 million we have invested in mitigation and resilience, the proposed reduction in Commonwealth funding would have meant that an extra **\$5 billion** in costs would have been borne by Queenslanders.

Your draft recommendations propose that states, territories and local governments should bear the brunt of disasters while the Commonwealth counts their savings. The Queensland Government strongly believes that the relative capacities of states and territories and the Commonwealth to raise revenue are reflected equitably in the existing cost sharing arrangements.

While rejecting the major cost shift proposed by the Commission, Queensland can see the benefits of some recommendations in the Draft Report, in particular those around giving states, territories and local governments increased autonomy. This could be implemented straight away to realise best value for money reconstruction using day labour, and eliminate the 'Groundhog Day' effect by building more resilient assets.

The Commission's finding that Commonwealth funding for natural disaster mitigation should be increased is also supported. Increased government expenditure on mitigation will deliver widespread net benefits to communities.

While the additional funding would be welcome, the proposal for the Commonwealth to allocate up to \$200 million per year on a per capita basis is nowhere near enough to help reduce future recovery and relief expenditure. The proposed funding should be increased, and allocated to states based on risk to ensure it is effective. High-risk assets that are subject to ongoing damage from NDRRA events should receive priority mitigation funding.

Any increase in mitigation funding should not be at the expense of the safety net that recovery funding provides for our communities. The Queensland Government maintains that the Commission's assumption that current cost-sharing arrangements act as a disincentive for states and territories to fund mitigation works is incorrect. Over the past four years, Queensland has provided funding of more than \$500 million for mitigation and resilience works that are outside the standard scope of the NDRRA.

Natural disaster funding is obviously an issue of importance for Queenslanders, and the outcomes of the Inquiry could have long-lasting impacts on our local communities. The ability to quickly restore damaged infrastructure, rebuild communities and resume economic activity in disaster affected regions is critical to the continued economic growth of both the Queensland and national economies. Natural disasters require a cooperative effort from local, state and federal governments to respond, recover and rebuild, in order to protect our people and ensure rapid economic and community recovery.

I implore the Commission to reconsider the Draft Report recommendations having regard to criteria that include more than just limiting the Commonwealth Government's financial liability.

Yours sincerely

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