



Premier of Queensland

For reply please quote: PO – TF/14/21923 – DOC/14/174311 – WR14/28926

12 NOV 2014

The Honourable Tony Abbott MP
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Dear Prime Minister

Tony

On 28 April 2014, the Federal Government announced a Productivity Commission Inquiry into Natural Disaster Funding Arrangements (the commission). This is obviously an issue of importance for all Australians. It provides an opportunity for states and territories to reinforce the importance of Federal Government funding support, to help recover and rebuild from natural disasters and mitigate their effects. The outcomes of the inquiry could have long-lasting impacts on all of our constituents and our local communities.

On 25 September 2014, the commission released its draft report, which includes 16 key recommendations that, if implemented, would have a disastrous effect on all of our communities.

The draft recommendations propose that states, territories and local governments should bear the brunt of disasters. It proposes reducing the current level of federal 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. This approach would hamper the ability of local communities and economies to recover quickly. The draft report also proposed phasing out state insurance duties, reducing the amount of funding available to the state to fund recovery and resilience.

The Queensland Government strongly believes that, as long as the current situation in regard to vertical fiscal imbalance remains, it is proper and appropriate that the Federal Government, with its larger public purse, contributes the lion's share to reconstruction and recovery work.

Any attempt to reduce its contribution must be regarded as a blatant cost shift to states and territories, and an abrogation of Federal responsibility. Any such cost shift away from the Federal Government is effectively a cost shift to the GST pool, because state costs are assessed by the Commonwealth Grants Commission and equalised. This means that the financial impost one state might suffer following a disaster will be spread across all states and territories. In recent years, Queensland has suffered grave financial impacts at the hands of natural disasters — the Queensland floods in 2010–11 alone had an estimated damage bill of \$6.8 billion. In the future, any other state or territory could find itself in the same position, and Queensland would be there providing support.

The Queensland Government does not believe there is a demonstrated need to change the current levels of funding provided to recover from rapid onset disasters, and in fact believes that a change would have negative impacts on communities Australia-wide. The World Bank has recognised that our Natural Disaster Relief and Recovery Arrangements (NDRRA) provides world's best practice for rapid response and recovery.

The outcomes of the inquiry could have long-lasting impacts on our 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 the states', territories' 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 for all Australians.

Yours sincerely



CAMPBELL NEWMAN