



Hon Rachel Nolan MP
State Member for Ipswich

Minister for Finance and The Arts

TRX-15893

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The Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Mr Hawkins

I am writing in relation to the Senate's inquiry into the Tax Laws Amendment (Temporary Flood and Cyclone Reconstruction Levy) Bill 2011 and the Income Tax Rates Amendment (Temporary Flood and Cyclone Reconstruction Levy) Bill 2011.

As members of the Senate would be aware, the natural disaster events in Queensland have been of unprecedented scale, severity and intensity. They have devastated a large area of the state and have resulted in massive damage to essential infrastructure and to community, business and personal assets. They have also resulted in severe personal hardship.

A total of 67 local government areas have been declared under the Natural Disaster Relief and Recovery arrangements - approximately 92 per cent of Queensland.

The Queensland Mid Year Fiscal and Economic Review released in January estimated the cost to essential infrastructure and personal and business assistance measures at some \$5 billion for the floods. That was before the impact of Cyclone Yasi where it is estimated that a further \$800 million in costs will be incurred.

Repairs to national, state and local government roads represent over 80 per cent of the amount (with almost 10,000 kilometres of state roads affected) as well as 29 per cent of Queensland's rail network.

The economic impact is considerable. A total of 54 coal mines have been affected amounting to an estimated loss of 15 million tonnes of coal production with an economic value of \$2.5 billion.

The rebuilding of Queensland is clearly vital to those Queenslanders so directly and tragically affected. With Queensland's export supply chain, which is responsible for a large proportion of Australia's external income, also severely damaged, it is vital to our national economic interests that the reconstruction effort proceed at pace. In short, this is a necessary and important investment for all Australians.

The Queensland Government, in full cooperation with the Australian Government, has therefore worked quickly to put in place the necessary organisational and accountability frameworks to ensure that all funds provided are spent effectively and efficiently. The Queensland Parliament has already passed the Queensland Reconstruction Authority Bill.

The Authority will manage and coordinate the government's program of infrastructure reconstruction and recovery within disaster affected communities. It will be overseen by a Queensland Reconstruction Board, which is chaired by Major General Mick Slater and includes two Australian Government representatives.

In addition, you would be aware that the Australian Government has established the Reconstruction Inspectorate, which will provide an unprecedented but further layer of probity and accountability over the expenditure.

The Queensland Government greatly appreciates the support of the Australian government and the broader Australian community in the rebuilding of Queensland. The Queensland government recognises the importance of the flood and cyclone levy as a measure to fund the essential Australian government contribution required for the rebuilding task. The flood and cyclone levy legislation represents one of the final institutional building blocks in the reconstruction effort.

The NDRRA is the preeminent mechanism through which the Australia federation has managed the costs of natural disasters, the substance and form of these arrangements had for many years been a matter of settled bi-partisan government policy.

Recently the Prime Minister announced changes to the Natural Disaster Relief and Recovery Arrangements Determination, the effect of which was to ensure that all States and Territories have comprehensively analysed the options for mitigating the financial impact of natural disasters. The Queensland Government will comply fully with the spirit of the revised Determination.

The Queensland Government is committed to participating in an informed policy debate about how the nation should best manage the risk of catastrophic events. This is why on 21 February the Queensland Government announced the commencement of a process to go to the market to seek expressions of interest for the provision of natural disaster insurance for the State. This will include seeking insurance that includes coverage for our extensive road network.

We remain concerned as to the cost of reinsurance, particularly in relation to local governments and the cost of insuring the road network. Some Queensland local council areas such as Dalby, Emerald and Gympie are subject to regular flooding which will ultimately be reflected in premiums.

Planning for an approach to seek expressions of interest for insurance in the market is now underway. The process will require the collection of extensive data on the assets to be insured to enable the insurers to provide the most competitive price for the coverage. Our insurance advisers have indicated that it will be towards the final quarter of 2011 before we will have a full assessment of the availability and cost of the coverage. In the meantime Queensland officials will keep Australian Government agencies (Department of Finance and Deregulation and the Attorney-General Department) advised of our program and progress.

I respectfully urge members of the Australian Senate to support the legislation.

Yours sincerely

RACHEL NOLAN