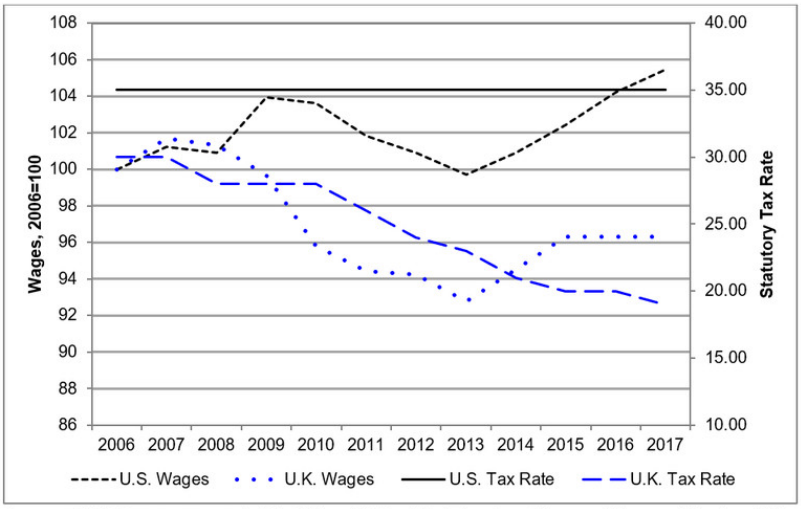
Inquiry into the Commitment to the Senate issued by the Business Council of Australia
Question on notice for the Australian Council of Trade Unions – 24 April 2018

The assertion that corporate tax cuts will deliver more jobs and an extra $750 per annum for workers is simply not supported by the evidence. The modelling that the Government is relying on to assert that workers will receive a $750 benefit assumes that businesses will pass the benefits of corporate tax cuts <u>in full</u> to creating new jobs and wage increases. Aside from Malcolm Turnbull and his Government, does anybody really believe that will happen? Recent studies by the Australia Institute and the Grattan Institute as well as overseas experience has shown that *corporate tax cuts do not alter the investment or employment decisions of the top 15 ASX companies.*[1] A Goldman Sachs analysis of US corporate tax cuts found that 60% of corporate tax benefits flow on to offshore investors.[2] Even the Government's own treasury modelling found that in the short term the greatest benefits would go to the profits of companies themselves, and in the longer term the improvement in GDP and jobs growth would be modest.[3]

The United Kingdom reduced its corporate tax rate, in several steps, from 30 percent down to 19 percent. At the same time, the United States has kept its corporate tax rate constant at 35 percent. As UK corporate tax rates fell, so did real wages. In short, the cuts had the opposite effect to what those who were lobbying for them said they would.

Corporate Tax Rates and Median Wage Growth for Workers
In the United States and the United Kingdom, 2006 to Present



Sources: OECD (statutory tax rates); UK. Office of National Statistics, Annual Survey of Hours and Earnings (UK wage data); US Federal Reserve (US wage data).

Even if the claim of a $750 benefit to workers were true, it would take 20 years to trickle through to workers. Modelling from the Treasury itself found that cutting the company tax rate by one percentage point would serve mainly to benefit company profits, with an increase in GDP of only 0.1% and *growth in jobs less than 1% over two decades*. The irony of claiming wages will increase from corporate handouts when we are in a period of record low wage growth and working families are doing it tough shows how out of touch Turnbull has become.

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[1] The Australia institute, Cutting the Company Tax Rate: Why Would You? , Dave Richardson, 30 November 2015

[2] Thye Guardian 1 June 2016
[3] The Guardian 3 may 2016

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This is at the same time as attacking the very things that drive up wages – attacking unions, trying to cut penalty rates and having no plan to create more and better jobs. The Government needs a real economic plan to increase wages. Given the Government's agenda to drive down job security and wages we will continue to have record low wage growth unless we have a higher minimum wage, stronger public sector bargaining and industrial reforms that will drive up wages and job security.

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Can the ACTU please inform the committee of the cost incurred since May 2017 of policy advocacy, advertising, public campaigning etc to advocate against the second part of the Enterprise Tax Plan? Similarly, can the ACTU please outline total internal costs (particularly FTEs and total salary & bonus) associated with this same policy advocacy and advertising/public campaigning?

Response:

We received this question on notice, unusually, prior to the hearing, after close of business on Tuesday 24 May.

As you are all aware is the day prior to ANZAC day, and is the last business day before this hearing.

So, noting there has been effectively only 3 working hours from 9am this morning, we have prepared an answer to assist the committee as best we can, over the short timeframe available to us.

We can advise the committee that we have not incurred any advertising or campaigning expenses specifically in relation to the second part of the Enterprise Tax Plan.

That means, no television commercials, radio ads or billboards.

We estimate that we have spent $951.95 on social media spend in relation to the overall $65 billion tax cuts of the Enterprise Tax Cut Plans 1 and 2, since May 2017.

We have not commissioned any research or reports into the Enterprise Tax Plan No 2, nor have we engaged any expert advice in relation to it.

We do not have any staff members that are dedicated to focusing on the Enterprise Tax Plan No 2.

Our response to the Enterprise Tax Plan No 2 consists of a range of campaign, policy, communications and political staff using some of their time, on an as need basis, which collectively represents our overall response to the bill.

This includes a legislative brief, policy submission to this inquiry, attending todays hearings preparing answers to questions on notice and associated research.

It is almost impossible to quantify exactly how much time of each staff member has given.

At the ACTU we do not bill in 6 minute units or similar segments, so it is not practically feasible for us to breakdown to the level of granularity sought in the question.

What we can advise, is that we approximate that there would be several hours worth of work by up to around 7-9 staff since May 2017 on our activities connected specifically to the Enterprise Tax Plan 2 bill.

And all of those staff have paid more in tax in Australia on those hours worked alone than 732 companies in the 2015-16 financial year who paid no tax at all. Including companies like Qantas and Energy Australia and several others that signed the BCA Commitment to the Senate.