

Thursday 10th March 2011

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

Dear Secretary,

The ACTU welcomes the opportunity to provide a submission to this inquiry into the *Flood Levy Bill 2011*.

It is fundamentally important that working Australians have a voice in the major economic, social and political debates that take place at a national level, so we welcome this opportunity. The ACTU supports the Government's plan for a progressive, one-off levy which exempts flood victims and the majority of workers to help cover the \$5.6 billion cost of this summer's devastating floods, while maintaining other Government policy priorities.

Like all Australians, unions watched with numb shock and disbelief as the floods tore through regional Queensland and Brisbane, and then northern Victoria. Tragically, lives have been lost. Homes have been destroyed and livelihoods will take a long time to recover.

It was immediately clear that this was a natural disaster of almost unprecedented proportions, and it would require a national, governmental response of enormous magnitude. It would require considerable Commonwealth Government spending, and this would have an impact on the Federal Budget.

A range of economists and interest groups have suggested that deferring the deficit reduction plan and returning to surplus a bit later would have a negligible impact on the economy. Australians understand that a modest deficit is an entirely reasonable way of funding nation-building infrastructure. However, the ACTU also accepts that the government has made a commitment to a fiscal strategy that will see the Federal Budget record a surplus in 2012-13.

We believe it would be detrimental to Australia's long-term prosperity for the extra costs of the floods to result in a substantial re-prioritising of important Government spending initiatives including investment in infrastructure, or cutbacks to recurrent expenditures on health, education and other services.

As a nation, we need to take collective responsibility for each other's welfare. Times of natural disaster highlight this basic principle even more. A progressive levy that exempts low-income earners was an option the ACTU urged the Government to consider in late-January.

The ACTU supports the \$1.8 billion levy for the following reasons:

(1) **It is temporary and one-off**, and is a far better alternative to deep and far-reaching spending cuts.

(2) **It is fair**. Not only are recipients of flood-related payments exempted, but it only applies to people earning more than \$50,000 – those who can most afford it - which immediately means about 50% of workers are exempt from having to pay the levy. The progressive structure means that even high income earners will not pay 1 per cent of their total income; that marginal rate only applies on the portion of their income that exceeds \$100,000. Less than 10% of workers earn more than \$100,000.

What this means is that a full-time worker earning average wages of \$65,000 will be liable for a levy payment of \$1.45 a week, while someone on double that (\$130,000) will pay \$10.61 a week. We believe this modest contribution, with an exemption for most workers and for those affected by the floods, is fair and appropriate.

(3) **It will raise funds for important infrastructure programs**, such as the replacement of roads and rail lines, that must be rebuilt in any case, but will also drive future economic and productivity growth in the affected regions.

We welcome the Government's announcement of the flood levy, and call upon this inquiry to support its passage through the Senate.

Yours sincerely,

/ **Ged Kearney**
President