

Submission to the Bushfire Inquiry, from John Ryan

Recommendation: That the Inquiry recommends that the Federal government pays a living allowance to all residents 18 years of age and over of designated bushfire areas for two years commencing when the Covid-19 stimulus expires; and that funds be allocated for a research project to monitor and report on the economic results of the first year.

My fear is that the bushfire areas will take years to recover without strong and continuing support from the government. Most are regional communities which have suffered wholesale devastation. Their strength and health are vital to the strength and health of the whole Australian community.

Prior to Covid-19 the people of these areas believed that the community and government would see them appropriately restored within a reasonable time. For many, tourism was a significant source of their revenue.

Then the coronavirus struck, and the whole country went into lockdown. Much of the restoration work was put on hold. Full resumption awaits the lifting of the lockdown. The opening of our borders to international travel and tourists is likely to take one or two years, particularly if it is dependant on the development of a vaccine. In the meantime, domestic travellers and holiday makers, including those in a 'Pacific bubble', may assist recovery.

The Australian community through the Red Cross, other charities and Australian governments have been tremendous in their support. The Red Cross has received donations totalling \$216 million since July 2019. \$86m has been distributed in immediate assistance grants with \$130m for mid-to-long-term support. The federal government is now distributing \$650m to local councils and communities, the last of the \$2 billion initial commitment. Earlier the government had announced new grant to small business of \$10,000 where their revenue had dropped by 40% over a three month period. While I have no direct knowledge or experience of the benefits arising from the above expenditure, my expectation is that most of it will have gone into equipment renewal and asset replacement. If this is the case, a need could exist for support of business revenue. Demand for their products is likely to be weak. The Inquiry will need to satisfy itself on this point.

Assuming that the business revenue falls short of what is needed to provide a reliable source of income, these business men and woman will need a living allowance while they re-establish. The loss of revenue, largely from squashing the tourist trade, will be greater if employees and customers leave the area. Here the Covid-19 restrictions may act to help retain them locally. Employees and customers in the area may also have been adversely affected by the bush

fires. Granting all residents a living allowance for an agreed period of one or two years once the virus restrictions are over, could provide the boost needed for local businesses to recover fully. The certainty of that income flow to the bush fire areas would give businesses the confidence to proceed with their best plans. The living allowance should be set at the current level of the poverty line.

Such an income stream provided to all within a community who satisfy basic conditions has been referred to as a basic income. The only conditions attaching to this payment would be 18 years of age or over, permanent residence in a designated bush fire area and annual income under \$200,000. Like the NZ super payable to all residents 65 and over, it could be subject to income tax, meaning that some of the cost would be recovered. Depending on the number of bush fire areas included, the cost could be within 1% to 2% of GDP.

Research has shown that paying a basic income to all within a particular group is much more likely to win general community support rather than making grants subject to conditions. Granting a basic income to victims of the bush fires, and to residents of the bush fire areas, provide an opportunity to ascertain the worth of basic income to the Australian economy. Appropriate research should be undertaken to assess the likely benefits, and to assess whether it should be applied to all Australians. Post Covid-19 may see unemployment and underemployment remaining a feature of the Australian economy for some years. With businesses continuing to seek cost reductions through automation, employment may suffer further.

Further, Treasury should establish a unit for assessing the cost and benefits of economic and taxation reform in Australia. While it is straightforward to calculate the cost of basic income once the areas have been selected, assessing the benefits is a complex task requiring good modelling.

Should my recommendation not appeal to the Inquiry, then may I suggest that the Inquiry supports the payment of a substantial sum (not less than \$1 million each) to be paid to all local bodies in the bush fire areas, for the purpose of employing people on relevant projects within each local body.