



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

Main Committee

APPROPRIATION BILL (NO. 5) 2008-2009

APPROPRIATION BILL (NO. 6) 2008-2009

Second Reading

SPEECH

Wednesday, 11 March 2009

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

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Page 2406	Proof No
Questioner	Responder
Speaker Robert, Stuart, MP	Question No.

Mr ROBERT (Fadden) (4.37 pm)—The bills before us this afternoon, the Appropriation Bill (No. 5) 2008-2009 and Appropriation Bill (No. 6) 2008-2009, are supply bills of \$2.215 billion. Clearly the opposition will not stand in the way of supply bills. However it behoves me to make a few comments on the bills as they move forward. It must be understood that every dollar spent is borrowed money. In fact, the financial figures for the month of December showed that the Rudd government's budget was already \$14 billion in deficit. It took 11½ years for the previous government, the Howard government, to pay off Labor's debt and to put the budget into surplus. And it took 12 months for the Rudd government to do what Labor governments always do—spend and throw the economy back into debt. It was the same with Whitlam, it was the same with Hawke, and it is the same with Rudd. It is what Labor governments do. And now we have \$2.215 billion in two supply bills—every dollar borrowed; every single one.

The government has already announced that over the forward estimates its projected borrowings will be \$200 billion. That is with funding and announcements that have already been put out there to the public—\$200 billion without a single new announcement. With every new project, every response to the 163 commissions, inquiries, events and summits, if there is an outcome that costs a single dollar, that will be borrowed, and it will add to the \$200 billion price tag.

If we look across the country at Labor's largesse we see that the Queensland state government is \$74 billion in debt, and commentators are suggesting that there is no way it can possibly be paid back. The state does not have the capacity to pay it back, considering its only two growth taxes are GST and payroll tax—as we know in economic terms, a growth tax to be. How can it pay it back? And we have the absolute and utterly disgraceful dysfunction of New South Wales Labor and their debt position well above \$50 billion. Queensland and New South Wales, Labor states, and federal Labor have debts of almost one-third of \$1 trillion over the next three years, and it all needs to be paid back.

If we look at the last 11½ years of economical miracle under the Howard-Costello government, we will start to get a glimpse of how difficult it will be to pay this money back and, because of the difficulty, how prudent governments should be before they start to splash cash around. In 1996, when the Howard-Costello government took the reins, the former finance minister, Minister Beazley, was saying, 'The budget is in balance—in fact, in surplus.' The result was that the Howard-Costello government found a budget over \$10 million in deficit. So egregious was the budget position that an act of parliament was passed, the Charter of Budget Honesty Act, to ensure that no Labor government could again be so outrageous in its expenditure and so duplicitous in its statements that it could hide behind such a horrible financial mess.

From 1996 onwards, \$96 billion of Labor debt was paid off. When that debt was paid off, \$56 billion of interest had been paid. So, in real terms, that Labor debt was \$152 billion. On top of that, the Howard-Costello government saved \$60 billion in the Future Fund and had \$27 billion in cash. During the Howard-Costello years, \$152 billion, Labor's debt and interest, was paid off; \$60 billion was in the Future Fund; and \$27 billion was in cash—that is, \$239 billion; a quarter of \$1 trillion.

How did this economic miracle that was to describe Australia as the 'miracle economy of the world' occur? Undoubtedly, there were some great boom times globally. Come 2001 we were able to enjoy the fruits of the mining boom because our industrial relations architecture was flexible, infrastructure had been put in place and we were seen as a reliable trading partner. We also sold 22 groups of assets. One group of assets, for example, was airports. Another group of assets was Telstra. From the sale of these 22 groups of assets, the Commonwealth retrieved \$57½ billion—in fact, \$45 billion from the sale of Telstra alone. There are no more assets to sell, unless

of course Mr Rudd is looking at putting Aussie Post on the market. So, there is a mounting debt of \$200 billion, plus the interest, and considering that government bonds are going out at 6.25 per cent—

Ms Hall—Mr Deputy Speaker, I seek to intervene.

The DEPUTY SPEAKER (Hon. AR Bevis)—Does the member for Fadden want to yield?

Ms Hall—Will you accept my question?

Mr ROBERT—No.

The DEPUTY SPEAKER—The member for Fadden has declined the opportunity to yield to a question.

Mr ROBERT—There are no more assets to sell. We sold them because there was \$96 billion of Labor debt and \$56 billion worth of interest. The total debt left by the previous Labor government was \$152 billion. That was how horrendous the position was. Now the position is worse, with debts approaching \$200 billion, and there are no more assets to sell. Bonds are being issued at a rate of between 5.25 per cent and 6.25 per cent on the sale of the bond maturing, with extended periods out to 10 years. So we are looking at an interest rate of six per cent on \$200 billion of fully-fledged debt. Within three years the annual interest payment of that debt, at six per cent, will be \$12 billion per annum and mounting. That is the position that we face. Those are the facts and they are indisputable. And here we have supply bills of money that is all being borrowed, much of it to help fund and put in place the architecture for the \$42 billion cash splash.

We know that the original \$10 billion cash splash did not achieve its desired end. We know from looking at the economic data that 80 per cent of it was saved—which, ironically, as we indicated it would be, was the same as what happened in the United States in July last year. When the United States did their cash rebate through their tax system, 80 per cent of it was saved. Considering the dire predictions economically, it is a fairly safe bet that of the other \$13 billion—of which payments start today—80 per cent of it will be saved. That is \$23-odd billion worth of cash splash that the Rudd government has put out there and which will not be spent; it will be saved. How does that stimulate an economy? I am sure that people who are receiving the money will derive some benefit as they pay down debt, as they retire debt from credit cards and as they invest or save, but it will not stimulate the economy at all. In fact, as a result of the \$10 billion cash splash we saw a seasonally adjusted increase in retail sales of something like three per cent in December and January, but, in the December quarter, the economy contracted by 0.5 per cent. There is no question in most economists' minds that when the figures come out for the March quarter we will see another contraction in place.

If we delve into the supply bills, we see \$34 million for 241 ABC childcare centres up until 31 March. In 20 days time there will be no more support for those centres, yet there seems to be no plan publicly available as to what happens next. What if those centres are not sold? There is an enormous amount of evidence, including from prospective purchasers in my electorate of Fadden, that prospective purchasers are saying, 'We don't have enough information from the receiver nor enough time to ensure a bid to purchase by 31 March.' So what will happen to those centres post 31 March?

The government is also going out and competing against private industry to build hundreds of its own childcare centres—when we know that the government does not do it any better than the private sector. The private market is best able to ensure that centres work and run. It is no different from super GP clinics; they simply rob Peter to pay Paul.

We see \$36.8 million in assistance to workers who are made redundant, which of course is commendable, but we do not see anything with respect to jobs, jobs and jobs. We have seen economic forecasts by the Rudd government of 300,000 jobs lost, yet with the \$10 billion cash splash in December the Treasurer said, 'It will create 75,000 jobs.' If it was going to create 75,000 jobs, shouldn't Treasury have immediately revised their forecast to say, 'It is no longer going to be 300,000 jobs lost; it will be 300,000 minus the 75,000 we are going to create; therefore our forecast is revised to 225,000.' That did not occur. Nor did a single one of those 75,000 jobs occur. Indeed, how could they when 80 per cent of the money was saved? How does retiring debt, paying off credit card debt or saving create a single job? It is ludicrous in the extreme. Not to be outdone, our erstwhile Treasurer came out with \$42 billion—this time to support 90,000 jobs. I am not too sure about the mathematics,

but surely \$10 billion to create 75,000 does not equal \$42 billion to support 90,000 jobs. And yet the current estimate by Treasury for job losses is still 300,000. It does not add up. There is nothing here about jobs.

On top of this, we have a government who refuse to guarantee that their industrial relations and ETS policies will not cost jobs. They refuse to rule that out. That begs the question: why would any government introduce a policy that would cost jobs? Surely the first line of any policy position that any government would put out across the developed world would say, 'We guarantee this will create jobs,' because, with the current downturn in the economy, creating jobs is the most fundamental and pressing issue. The introduction of any policy that would deliberately destroy jobs is both irresponsible and unacceptable.

There is \$68.7 million for the government to implement its \$42 billion cash splash. It is going to spend \$68 million within the constructs of the Public Service, for the framework and architecture, so they can splash out \$42 billion in cash which will not actually provide an economic stimulus at all. Social spending is always the poor cousin, in economic stimulus terms, to infrastructure spending. Pulling apart the \$42 billion sees a dollar-for-dollar return on GDP of 30c. Some elements of President Obama's package have a return ratio of one to 1.7: for every \$1 of some parts of his economic package, there is a \$1.70 return in GDP. The Rudd government's package returns a whopping 30c! They must be so incredibly proud of pulling that one off!

There is \$19.6 million within this supply-side bill to advertise Pink Batts. I have always enjoyed a pink batt and boom gate led recovery! There is \$250 million for the department of environment and water for the Murray-Darling Basin. This is funding that is being brought forward because of the deal done with Senator Xenophon to get the \$42 billion cash splash through the Senate.

Whilst the opposition will support the supply bills, because the opposition will not stand back from the supply bills to block supply, every dollar is borrowed. Every dollar is borrowed with interest of between 5.2 per cent and 6.25 per cent at the current bond issuance; that is the reality. That is the reality right now. The budget was in deficit by \$14 billion in December; that is the reality. Every bit of extra spending is debt; that is the reality. There is nothing more to sell to pay off the debt, and the debt will grow and the interest will grow.

The expenditure is not well targeted. We know that most of the cash splash will be saved. The Prime Minister is not rolling out 'spend, spend, spend', as he so irresponsibly did before Christmas, because he knows people will save the money, and still he persists in rolling out the money from today. One could suggest, somewhat cynically, that the timing is linked to the Queensland government election—that it is somehow miraculously linked by some supercoincidence—with the payments rolling out 10 days prior to the state government elections. Heaven forbid I would be such a cynic! Every dollar spent is borrowed, with interest.