

APPROPRIATION BILL (NO. 1) 2008-2009
APPROPRIATION BILL (NO. 2) 2008-2009
APPROPRIATION (PARLIAMENTARY DEPARTMENTS) BILL
(NO. 1) 2008-2009
APPROPRIATION BILL (NO. 5) 2007-2008
APPROPRIATION BILL (NO. 6) 2007-2008
Second Reading

Mr ROBERT (Fadden) (4.40 p.m.)—Madam Deputy Speaker, what a distinct pleasure to be able to remain in the same chamber. I take this opportunity, in the great tradition of *Animal Farm*, where up is down and down is up and where eagles apparently have to climb trees, to point out to a Labor government so enraptured with their own budget that it is an old-fashioned, lightweight, high-taxing, high-spending, standard-fare Labor budget. It is unremarkable in every extreme, except for the \$15 billion in spending cuts announced to coalition programs and \$30 billion in additional spending by the government—a net increase in spending of \$15 billion. However you want to slice and dice the spin, this is an incredibly high-spending budget. That, along with \$19 billion of new taxes over the forward estimates, simply asserts what we know: old Labor is back, unreformed and clearly unrepentant.

But what makes this budget worse is a range of irregular and highly undesirable accounting tricks. The CPI is used as a deflator rather than the non-farm GDP, as has been the case traditionally to try and keep the increases in spending down. Labor has used an unprecedented accounting move to artificially inflate the size of the budget surplus by a staggering \$2.9 billion, by using second-round effects—adding in the expected income from an increase in skilled migration, something the previous government never dreamed of doing let alone actually put into practice. The evidence of this can be seen by comparing Labor's costings for the migration program increases with the previous, Howard government's costings. Under the Howard government, budget decisions to increase migration were accompanied by a costing of all the resulting expenditure on health care, welfare, education and other migrant based services. The Howard government budget measures never claimed a matching increase in income tax revenue—never claimed it.

In technical terms, such a costing would be called a second-round effect. It was not claimed in the past because of the fundamental difficulties in trying to make accurate costing assumptions. It is just not possible. So First World nations across the globe, provided with good advice from their treasuries, do not add in second-round effects, except for—you guessed it—this *Animal Farm* government. Just in case the members opposite cannot quite pull it together, I will quote Treasury's own costing guidelines issued for the 2007 election which stated:

As with existing arrangements individual costings may take account of direct behavioural responses, but will generally not incorporate second round effects. The costing will focus on first round effects and the direct budgetary consequences of policies.

Now, I am not too sure where the Labor government were when Treasury issued that advice. I can only assume they were in the same position they are in now with 'foolwatch', or should I say Fuelwatch, when the four major departments all issued advice that was ignored. I guess Treasury's advice was ignored with respect to second-round effects, as advice with respect to 'foolwatch' has been ignored.

The Labor government decision to increase the migration program by 37½ thousand places involves a gross cost of \$2.4 billion. In a Howard government budget, it would have appeared as an expenditure item of \$2.4 billion. However, by including income tax receipts of \$2.9 billion—that is, the second-round effects—Labor's budget has turned a \$2.4 billion expenditure into a supposed saving of half a billion dollars. That is an amazing sleight of hand, in the best of

language—a \$2.4 billion expenditure has been turned into a \$500 million saving by adding in a \$2.9 billion second-round effect.

I can only imagine that Labor will try to argue that it is entirely appropriate to include the income tax of migrants in the migration measure. But then they must answer: if Treasury did not claim this revenue source in the Howard government budgets—if they made it patently clear, pre-election, that this was not the way business was done—why the sudden change of rules for a Rudd government unless, by sleight of hand, they are trying to increase the value of the surpluses and, again by sleight of hand, trying decrease the percentage increases in expenditure in the forward estimates? I suspect this is just one of many budget tricks that Labor have used to hide the fact that their supposedly tough, inflation-fighting budget is absolutely and utterly a fallacy.

But it does not stop there. In changing the deflator from non-farm GDP to CPI and adding in second-round effects you have nothing in the forward estimates with respect to the emissions trading scheme. This trading scheme will have an enormous impact on our economy. It will increase the prices of literally everything. Even if the carbon price were simply \$25 a tonne, which some believe may be at the low end, it would generate at least \$10 billion in additional federal government revenue—an enormous new federal government tax. Yet it is nowhere to be seen in the forward estimates.

And the tax increases do not stop there. On they go with new taxes on condensate. Condensate is a form of light crude associated with gas accumulations. It is used for making plastics and cosmetics, although mainly for making petrol, and it is exported 100 per cent. Condensate produced in a state or territory or inside the outer limits of the territorial sea of Australia and marketed separately from a crude oil stream was free of excise in 1977. This was to encourage exploration and production from onshore and predominantly offshore gas fields that did not have the same profitability as the main crude oil produced in Bass Strait. Thus it was aimed at the development of petroleum resources in the mainly gas-producing areas of the Cooper Basin and the North West Shelf. It was designed to allow high-risk projects that companies would not normally put exploration dollars and cents into, allow them to recoup profits over time and amortise risks and early losses. It was an incentive for exploration—and suddenly an arbitrary tax with no warning and no consultation is thrown on it.

The move has changed the investment environment. In his second reading speech on 15 May the Assistant Treasurer stated:

As the development of petroleum fields in this region is now reaching maturity, and the world prices for non-renewable energy resources are high, there is no need to retain this generous concession.

Given the similarity between condensate and crude oil, the two commodities should be taxed in a similar manner.

The PM stated in response to a question from the shadow deputy leader on 27 May:

On the condensate arrangement, it was actually instituted back then in order to provide encouragement for the industry ... That is the first point. Secondly, that is quite a long time ago, and since that time the industry has not only become profitable and been established; if you look at the return to the industry concerned, its actual profits in recent years have been not just in the hundreds of millions of dollars but in the billions of dollars.

What this seeks to do is to actually close a tax loophole which has existed for a long, long time and, furthermore, to use those taxation measures to underpin the robustness and the financial integrity of this budget ...

This is not a tax loophole; this is not a generous concession. If it was, the previous Labor government, which racked up \$96 billion of debt—that Labor government—would have closed the tax loophole. The previous Labor

government had from 1983 to 1996 to close all the tax loopholes they could possibly find, but they did not. If the Hawke-Keating government did not close a supposed tax loophole, those opposite should not roll out the *Animal Farm* view that this is a loophole and, 'We, Labor, the saviours of the universe, have now closed it to help poor struggling, battling families.'

What Labor have done has fundamentally changed the exploration investment architecture. Companies that would generally not consider putting dollars and cents into exploration projects of some risk may now walk away because, as far as they are concerned, this Labor government will change the rules without consultation, at a whim. The PM went further; he did not just stop there. He said:

So condensate and all the other measures in the budget represent an exercise in financial integrity.

Clearly, the Treasurer and I—or the Prime Minister and I—went to different MBA schools when it comes to financial integrity. This has got nothing to do with financial integrity. They are raising a tax—an excise designed for light crude oil—that punishes exploration.

The fact is that the most easily explored compressed LNG—liquid natural gas—fields are those that have condensate. Those that are most easily able to generate a profit to offset large risks and costs are those with condensate. Yet the Minister for Resources and Energy and Minister for Tourism, when speaking on 13 May, on the third reading of the [Offshore Petroleum Amendment \(Miscellaneous Measures\) Bill 2008](#), stated:

The amendments in this bill are required to ensure that the regulatory regime continues to support the development of our vital oil and gas reserves. As we all appreciate, this issue is of critical importance to our nation. Whilst Australia is very well endowed with gas, with more than 110 years of gas reserves at current production rates, we only have about eight per cent of known oil reserves remaining at today's consumption rates. Consequently, Australia is looking down the barrel of a \$27 billion trade deficit in oil and condensate by 2015. Therefore, it is very important that we work to open up more frontiers.

On 13 May, the Minister for Resources and Energy said, 'It's important we work to open up more frontiers,' and yet this budget clamps down on the very frontiers we want to open up by saying: 'Here is a new tax; let us discourage you from opening up frontiers.' It is fundamental—the ignorance of the *Animal Farm* budget that is before us! This has got nothing to do with financial integrity. One minister is saying, 'We want to open up more frontiers and encourage it,' and, at the same time, the PM wants to punish those who open those same frontiers. It is an absolute and utter farce. It is a tax grab—nothing more, nothing less; call it what it is.

It is the same with the ready-to-drinks—the alcopops. It is simply a tax grab. Treasury's own figures indicate that the drinking patterns will not reduce. All of the anecdotal evidence coming forward shows quite clearly that young people are now getting heavy liquor and heavy spirits and mixing their own and, indeed, it may be making binge drinking worse.

The rise in the luxury car tax, from 25 to 33 per cent, is simply aimed at grabbing revenue, because apparently anyone paying more than \$57,000 for a car is rich, and this Labor government does not like rich people, apparently. Increased passenger charges are apparently good for tourism, as are increased visa charges. The hide of some of the changes in this budget! In one move, the government gave \$20.7 million to veterans through a range of minor changes and, at the same time, in the budget, it took away \$110 million from veterans. The cabinet, in which no-one has ever worn a uniform or served a day in uniform in their lives, thought they would take away, with the stroke of a pen, \$110 million from veterans by increasing the partner pension age from 50 to 58.5 and then stopped partner pensions 12 months after separations.

But it continues. The level at which the Medicare surcharge is paid was increased from \$50,000 to \$100,000. Treasury's own estimates show that something like half a million people will leave private health insurance. I can only conclude that the Labor government does not like private health insurance. Here are some facts. Private hospitals treat four out of every 10 admitted patients in Australia, representing nearly one-third of all days in hospitals. Private hospitals perform the majority of surgery—56 per cent. In my electorate of Fadden, the fastest-growing electorate in the nation, there are 49,724 people with private health insurance. With predictions that almost 10 per cent of insured people will drop out of the system, that is almost 5,000 people dropping out who will then be required to go into the public system.

Let us have a look at the public system, shall we? Let us look at Queensland Health—that incredible organisation of efficiency and effectiveness—and their quarterly public hospital performance report for the March quarter of 2008. The Gold Coast Hospital is the only public hospital that services the sixth-largest city in the nation. With at least 5,000 people in my electorate and a similar number in the two electorates of Moncrieff and MacPherson, 15,000 more people will draw on the requirements and services of the Gold Coast Hospital. It has the third-highest number of people admitted to hospital: 17,344. It services the most people in Queensland in an emergency department: 24,613—that is, 30 per cent more than the next highest hospital, which is Royal Brisbane Hospital. The Gold Coast Hospital performed 2,650 elective surgeries, and came third after Royal Brisbane and Princess Alexandra hospitals.

Whilst the move on the Medicare surcharge will throw at least 15,000 people—and as many as half a million across the nation—into the public system, let us look at the elective surgery numbers. According to Queensland Health's report, right now there are 36,030 people on waiting lists and a further 159,000 people waiting to get on the waiting list—and this government thinks it is economically prudent to raise the Medicare surcharge and push more people into public hospitals. Right now Queensland Health is failing the people of Queensland. Right now there are 36,000 people on a waiting list for elective surgery and 159,000 people waiting to get on the waiting list, and this government wants to push half a million people into the public hospital system. If this is not a new chapter of *Animal Farm*, I do not know what is.

The Regional Partnerships program has been axed and yet, in an embarrassing backflip, Minister Albanese was forced, because of Channel 7, to fund almost 100 of the 116 projects that had been funded but contracts not yet signed, because of the genuine community need for them. Hundreds more projects were pending—projects for which people had spent time, money and effort over many months and years to put a submission forward. What about those that are pending? What about those that have not yet been approved? What is the minister going to do about them—including \$1½ million for the Coomera and Oxenford youth centre in my electorate of Fadden? It is the fastest-growing electorate in the nation, yet there is only one youth centre servicing the whole northern growth corridor. It is the fastest-growing area in the nation, and what does the minister say about a simple grant to extend the youth centre? He says sorry. Yet, in the same *Animal Farm* chapter, he funds \$14.5 million for sound insulation of a school in his own electorate. Fort Street High School has long campaigned for noise insulation, but the school is outside the agreed excessive noise area and it has been ineligible.

In what can only be described as something out of the ordinary, Minister Albanese has approved funding for a project in his own electorate that does not meet his government's own guidelines. No departmental review. Likewise Labor's Tree of Knowledge—no departmental scrutiny. With one breath, Labor takes money away from the Royal Flying Doctors, from disabled playgrounds in Bundaberg and from youth centres in my electorate, but he is happy to fund noise insulation in the minister's own electorate because it is politically expedient—unbelievable!

And the politics of envy does not stop. The solar panel rebates have been lost. If you earn over \$100,000 the rebate is gone, and the solar industry across the nation is now collapsing. Family tax benefit B is lost for families earning over \$150,000. The childcare benefit is lost if you earn over \$110,000, yet the top tax bracket is \$180,000. I ask the government: what is rich? Is it \$57,000? Is it \$100,000, \$110,000 or \$150,000? Is there any competent narrative to this budget, or is it simply a grab for tax—simply amending the various rules using second-round effects to inflate the budget? This is just more spin and more hype and it is appalling.

Yet what is truly horrifying is banking \$40 billion of Australian savings, which exist thanks to the work of the member for Higgins, in a fund that can be invested at the Treasurer's discretion, without any definition of what the investments might be expected to return and without any parameters as to financial returns. There are no guidelines; there are no rules. When there are no rules, no guidelines, no investment returns and no prudential regulatory things around it, it is one thing and one thing only—it is a slush fund. That is what it is; that is what it should be called. In the world I live in and do business in, you would not raise a brass razoo if you went to the market with something like the fund that \$40 billion is being put into. This is not a nation-building budget. This is a farce. This is a joke. This is the last chapter of *Animal Farm*. (*Time expired*)