



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

BILLS

**Appropriation Bill (No. 3) 2013-2014,
Appropriation Bill (No. 4) 2013-2014,
Appropriation (Parliamentary
Departments) Bill (No. 2) 2013-2014**

Second Reading

SPEECH

Wednesday, 26 February 2014

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

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Questioner
Speaker Leigh, Andrew, MP

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Dr LEIGH (Fraser) (11:44): I rise to speak on the Appropriation Bill (No. 3) 2013-2014, Appropriation Bill (No. 4) 2013-2014 and Appropriation (Parliamentary Departments) Bill (No. 2) 2013-2014. In these bills the government is requesting that parliament approve additional expenditure of around \$14.8 billion, which largely reflects the government's decisions outlined in the 2013-14 Mid-Year Economic and Fiscal Outlook.

Let me say from the outset that the opposition do not oppose the passage of the three appropriations bills we are debating in the parliament today. Without denying this bill being read a second time, I move:

That all the words after "That" be omitted with a view to substituting the following words:

"whilst not declining to give the bill a second reading the House notes that:

- (1) the Government repeatedly stated before the election 'that if debt is the problem, more debt is not the answer';
- (2) the 2013-14 Mid-Year Economic and Fiscal Outlook showed a \$17 billion blow-out in the 2013-14 budget deficit, which at the time represented a \$167 million budget blow-out per day since the Government took office;
- (3) 60 per cent of the predicted budget blow-out in 2013-14 was due to the decisions of the Government alone;
- (4) the Government has sought to pave the way for deep cuts to the federal budget by deliberately blowing out the budget and establishing its Commission of Audit; and
- (5) these cuts would be another example of this Government saying one thing before the election, and doing the complete opposite after it."

What we have continually seen from this government is that they do one thing after the election having said the complete opposite before the election. We have a litany of examples: the Renewable Energy Target, jobs, taxation, cuts to health and education, and this particular case—the budget.

We had a lot of slogans from the coalition prior to the election and we still hear them today. There is one that I would like to bring up—the slogan: 'If debt is the problem, more debt is not the answer'. If more debt was not the answer, why did the government do a deal with the Greens to legislate for unlimited debt? And what about the issue of this budget emergency? We heard, saw and read an awful lot about that from the coalition prior to the election, but when we actually saw the Abbott government's MYEFO last year, the first budget document to be published under the new government, we saw a nearly \$17-billion budget blow-out for 2013-14, more than a 50 per cent increase in the budget deficit, 60 per cent of which was due to decisions of this government. And that blow-out, with a deficit of \$30 billion to \$47 billion, represented a huge amount every day—\$160 million per day.

The component of the budget deficit that did not represent increased expenditure was as a result, largely, of changes in assumptions. We learned yesterday morning from the Secretary of the Department of Finance, David Tune, when he spoke to Senate estimates, that the estimates in MYEFO had dropped the former Labor government's fiscal rules which limited real spending growth. Mr Tune confirmed to Senate estimates that this change in assumptions increased MYEFO's projections for the size of the budget debt over the decade to 2023-24.

So what MYEFO did was to deceitfully change the rules and then claim, lo and behold, to uncover a \$667-billion debt figure. These politically biased assumptions had the effect of pumping up the debt and deficit projections—pumping them up markedly. The independent Pre-Election Economic and Fiscal Outlook clearly shows that, on the former government's policy settings, the medium-term projection had the underlying cash surplus growing after the forward estimates and reaching one per cent of GDP in 2020-21. Net debt was projected to return to zero in 2023-24.

That figure of a surplus of one per cent of GDP in 2020-21 is an important figure because we know that the terms of the National Commission of Audit were a requirement that the commission:

... make recommendations to achieve savings sufficient to deliver a surplus of one per cent of GDP prior to 2023-24.

But if you do not make the \$9-billion grant to the Reserve Bank, if you do not give \$700 million to multinational firms through tax loopholes, and if you do not relax the fiscal rules, you have got that surplus of one per cent of GDP happening in 2020-21. That surplus is there in the Pre-Election Economic and Fiscal Outlook.

There have been a lot of games played with the Pre-Election Economic and Fiscal Outlook. These are games, ironically, which were played by a party that PEFO into place. After the 1996 election then Treasurer Costello put in place a Charter of Budget Honesty. That charter required the secretaries of Treasury and Finance to prepare a Pre-Election Economic and Fiscal Outlook, PEFO, that ensured, as Treasurer Costello put it at the time:

That the Australian people know the situation before an election begins and so that elections can be conducted on the basis of facts and not on the basis of deceit, as governments in the past have sought to do.

PEFO was the fiscal equivalent of Mortein for spiders in the closet—it made it impossible for a new government to claim that, lo and behold, the state of the books were not what had been represented, because what PEFO does is ensure that the independent secretaries of Treasury and Finance sit down during the election campaign and set out the state of the books. The spider-free economy that the government took on had an economy with solid growth, unemployment low by historical standards and gross debt projected to peak at \$370 billion in 2016-17. That is the spider-free economy that the Treasurer took on. That was underpinned by strong economic growth during Labor's time in office.

When Labor took office, our economy was the 15th largest in the world; when Labor left office our economy was the 12th largest in the world. In terms of income per person, we did better yet: we rose from 17th in the world when Labor took office to eighth in the world when Labor left office. In terms of infrastructure spending we did better still. As the member for Grayndler has articulately pointed out on numerous occasions, when we took office we were ranked worse than 20th in the OECD; in 2012 and 2013 we were ranked first by the OECD for our infrastructure investment. We also continued to benefit Australians in other ways. Lower interest rates for someone with a \$300,000 mortgage meant a saving of over \$100 a week. We made a series of tough decisions in our budget. In fact, I warrant that Labor's final budget not only will be the only budget in Australian history to have achieved a reduction in nominal spending, but also will keep that record. I find it very hard to imagine that another government will succeed in doing that. That was done in ways that ensured that, if spending had to be addressed, it was done in the fairest possible way and in a way that did not hit jobs.

When we cracked down on multinational profit shifting, we saved taxpayers billions of dollars. When we means tested the private health insurance rebate, we did so in a way that ensured it did not include those with the greatest means in the community. Those opposite foresaw doom: they said that private health insurance take-up would plummet as a result of the means testing, but the data has given a lie to that claim. When we means tested and restricted the baby bonus to second and subsequent children, the now Treasurer said it was like China's one-child policy. He gives speeches about the age of entitlement, but when Labor came to put in place modest savings measures to ensure that savings were made in a way that shared the burden fairly across the community, all the member for North Sydney could do was to run scare campaigns—big speeches in London; scare campaigns in Australia.

The decisions the government is making are decisions that are going to assist the most affluent and imperil jobs. This is the first Treasurer to knock back a foreign investment bid by a US company, which potentially imperils jobs in Australia. The Treasurer's decision to give \$9 billion to the Reserve Bank is bewildering, given that we have no evidence that the Reserve Bank asked for such a grant; and the Treasurer is defying a Senate order to produce the documentation that would support that. The Treasurer says that the reason he needed to give \$9 billion to the Reserve Bank was that Labor had taken a larger dividend from the bank than was appropriate. Again, the data gives lie to that claim. Adjusting for inflation, the Howard government took \$3 billion a year from the Reserve Bank and Labor \$1½ billion a year. So, what Labor took from the Reserve Bank was half in real terms what the coalition, when in office, took from the bank. Of course, we know why the Treasurer has gifted \$9 billion to the Reserve Bank; he wants the 2013-14 budget to be someone else's problem. He is like a

coach who takes over the job a quarter of the way into the season and wants to be able to blame a whole set of decisions on his predecessor.

This is a man who has not made the transition into government. Like the Prime Minister, the Treasurer is the shadow Treasurer in drag. He is a man who is still out there attacking the economy, when he should be fighting for jobs. He is happy to come in here and play a game of high stakes poker with Holden, but when he loses he wants to blame that on someone else. At the same time he is making decisions which will cost the budget still further. Take the parental leave scheme, which his own backbench strongly opposes, for instance. Alex Hawke, the member for Mitchell, is the most articulate critic of the parental leave scheme on the other side. He argues, not unreasonably, that a scheme that gives \$75,000 to a millionaire family to have a baby is probably a scheme that is pretty hard to justify to the average family when they are having their schoolkids bonus taken away. What were the talking points when the coalition was putting this gold-plated, diamond-encrusted parental leave scheme in place? They told us that it was appropriate to have such a generous scheme, because it was an entitlement. That is why we had to support it—because wage replacement parental leave paid for by the taxpayer was an entitlement. So much for the end of the age of entitlement! I think the age of entitlement is just getting going for those millionaire families. And it is just getting going if you are a mining billionaire: you are going to see a very generous tax cut under this government—something in the order of \$4 billion under the forward estimates is forecast by this Treasurer to be lost when the mining tax is repealed.

For the no-surprises, no-excuses government that the Australian people were promised, they are seeing something entirely different. The Prime Minister—who said there would be no cuts to education, no cuts to health, no change to the pension or to the GST and no cuts to the ABC or SBS—is now facing off with the Treasurer who says that all options are on the table. Last Friday we heard reports that the Treasurer was flagging changes to Medicare, education and the pension age. Despite the fact that he spent an election campaign clutching a *Our Plan—Real Solutions for all Australians* pamphlet—which says on page 49 that the government would be more accountable to the Australian public—we now have a Commission of Audit, which has been sitting on the Treasurer's desk since Valentine's Day. If it had been a bunch of roses it would be a little the worse for wear by now. The roses that I purchased for my wife on Valentine's Day have had to be consigned to the dustbin.

But the Treasurer has apparently been more interested in other reading. We have seen in recent media reports that he is halfway through a new biography of Margaret Thatcher. Perhaps while he is reading Margaret Thatcher's biography he could share with the Australian people the Commission of Audit report. Of course, that is what the Howard government did when they commissioned a commission of audit report. They had a commission of audit that was independent and which released its report to the Australian public at the same time as it did so to the Treasurer. But this is a government which is even more secretive than the Howard government, which, let's face it, did not set many international records for its commitment to transparency and openness. The Treasurer said that he would release the Commission of Audit report sooner rather than later. Well, Treasurer, the clock is ticking. This is, of course, the Treasurer who said he would give us a budget update in his first 100 days in office and failed to meet that deadline. So he clearly has form. That is right: MYEFO—not delivered in the first 100 days.

We hear a lot from those opposite about the state that Labor left the budget in. But the state in which they claim they received it is not what Peter Costello would have said. Peter Costello would have said: 'If you want to know the state of the books when you took over, look at PEFO.' Joe Hockey and Mathias Cormann want you to look to MYEFO, a document delivered more than three months into the Abbott government.

When Labor left office, as independently verified by the Pre-Election Economic and Fiscal Outlook, there was to be a surplus in 2016-17. Labor had deficits across the forward estimates of \$54.6 billion. But, by the time we got to MYEFO, those cumulative deficits over the forwards had more than doubled, to \$123 billion. We saw, from the PEFO to MYEFO, Labor having net debt at zero by 2023-24 but, once the Abbott government had put in place their changes in expenditure which we are debating today, and their shonky changes to the fiscal rules, net debt by 2023-24 was projected to be 14.3 per cent of GDP. So the fact is: Labor had the budget heading into surplus in 2016-17 and to zero net debt in a decade; this government, by decisions totally of its own accord, has blown that out of the water.

This debate is occurring in a broader context, and it is absolutely critical to recognise that context, which is that the government is trying to pretend that Australia is a different country from that which it is. The social services minister, Kevin Andrews, has been found by the ABC Fact Check unit to be false in his claims that Australia's

welfare system is not sustainable and in suggesting that there is a European-style fiscal crunch coming within a decade.

The simple fact is that, when we look at how Australia compares with other countries and at the size of government in Australia, Australia is a relatively low-taxing country. Do not take my word for that. In 2006, then Treasurer Peter Costello—I cannot quite believe I am quoting him twice in this speech, but there you go; even a stopped clock is right twice a day—requested a run-down on how our tax system compared with those of other countries. The report, which was co-authored by Peter Hendy, now the member for Eden-Monaro, concluded simply:

... Australia is a low-tax country.

That report pointed out that we do not have wealth, estate, inheritance or gift taxes. It found that, for individuals, we have one of the lowest income-tax burdens in the developed world. Since then, federal Labor has delivered significant personal income tax cuts. When Peter Costello was describing Australia as a low-tax country, the federal tax to GDP ratio was 24 per cent. After six years of Labor, that ratio had fallen to 23 per cent. Add in state and local governments, and the tax ratio is around 33 per cent of national income. To put that in perspective, New Zealand and the United Kingdom currently have a tax take that exceeds 40 per cent of GDP, and they have conservative governments in charge.

So let us see this for what it is: the size of our government is much more similar to those of Korea or the United States, not, as ideologues on the right would have you believe, in the league of Finland and Switzerland. So, when this government attacks expenditure, and when it says that it is unsustainable to have a schoolkids bonus, to have income support payments, or to ensure that low-income earners get a fair deal on their superannuation and do not pay a higher tax rate on super than they pay on wages, then you are listening to an ideological agenda. When the chairman of the Prime Minister's Business Advisory Council, Maurice Newman, describes DisabilityCare as 'reckless', he is striking fear into the hearts of thousands of Australians with a disability.

This government has engaged in backflips on school funding and backflips on debt. This is, after all, a government that went from holding press conferences in front of a debt truck to striking a deal with the Greens for uncapped debt. It is hard to tell whether BA Santamaria, Friedrich Hayek or the Marx Brothers are in charge. And you do not need to take it from me. Peter Costello—

Mr McCormack: Three times!

Dr LEIGH: It's three times the cock has crowed, isn't it! Peter Costello famously replied, when asked if he had endorsed Tony Abbott, 'Oh, not on economic matters.' And he was said, in private, to describe the Prime Minister as economically illiterate. His former employer, John Hewson, has covered off the other side of the basic skills test by describing the Prime Minister as innumerate. This is a government which needs to recognise the broad context in which it sits—which needs to recognise a report from the mid-2000s which describes Australia as a low-tax, low-spending nation.

The vital debate in Australia at the moment is over productivity and jobs. If you are serious about jobs, you have to get the short-term settings right and the long-term settings right. In the short term it is absolutely vital that we do not withdraw demand from the economy at a time when employment is fragile. This is a government that came to office with a target to generate a million jobs in five years, yet since it won office we have seen very modest growth in part-time jobs but backsliding in full-time jobs; 63,000 full-time jobs lost since this government came to office. So the net result is 7,000 net jobs gone. That million jobs target is slipping away by the day. Partly that is because—and I am sure the minister at the table may have something to say about this—this is a government that said no to foreign investment in GrainCorp, said no to foreign investment that would have generated jobs in the rural sector.

Mr McCormack interjecting—

The DEPUTY SPEAKER (Mr Mitchell): The parliamentary secretary can have a go later if he likes.

Dr LEIGH: Did I just promote the parliamentary secretary? He can make a personal explanation later. This is a government which is withdrawing regional jobs as it closes ATO offices. A government which is serious about jobs ought not to be firing Public Servants left, right and centre, particularly not as the growth in public sector

employment under Labor was slower than the population growth. The growth in the number of Public Servants was smaller than the growth in population. Most public services are deployed on the basis that you need a certain number of people to look after the population, whether that is the hardworking Public Servants in the Centrelink offices, Family Assistance offices or Medicare offices. Anyone who argues that Australia has a bloated public employment problem ought to say that doubly of the Howard government, which had more Public Servants per capita than we have today.

So in the short term the government is withdrawing demand and it is cutting jobs at a fragile time for the economy. But it is the long term that worries me even more. In the long term if you want to sustain employment you need to make the investments in skills and in infrastructure. You need to make the investments in the National Broadband Network and in urban rail, both of which this government is walking away from. Having breached their solemn pledge to the Australian people to deliver 25 megabits a second to Australians by 2016, they have now said that, disappointingly, that that is impossible to deliver on. Having said that he wants to be the infrastructure Prime Minister, the Prime Minister has now backed away from Infrastructure Australia, a process designed to put infrastructure decisions at arm's length. And he is being criticised by members of the business community for being unwilling to fund urban public transport, something which is fundamental to city productivity.

Then there is what they are doing on education. You need investment in great schools if you are to build the jobs of the future. This is where Labor said, 'We're going to strike a deal with states where we put in \$2 of federal funds and the states guarantee a dollar for federal funds.' This government's funding deal is, 'We'll put in \$2 of federal funds and if you want to take out your funds at the same time, feel free.' That is a very different deal to the unity ticket that Australians were promised on school funding and it is fundamental to Australia's economic prosperity. We cannot be a high-skill, productive nation in the future if we are slashing into schools, if we are getting rid of trades training centres and if, as this education minister has suggested, we walk away from the demand-driven model which has allowed children first in their family to attend university and which has benefited particularly rural and regional students.

These hits to Australia's productivity and to our short-term growth prospects are deeply disturbing. We need the government that we were promised before the election, a government of no surprises and no excuses that takes responsibility, steps up to the plate as an adult government and is willing to make the decisions that the Australian economy demands.

The DEPUTY SPEAKER: Is the amendment seconded?

Mr Snowdon: I second the amendment.

The DEPUTY SPEAKER: The question is now that the amendment be agreed to.