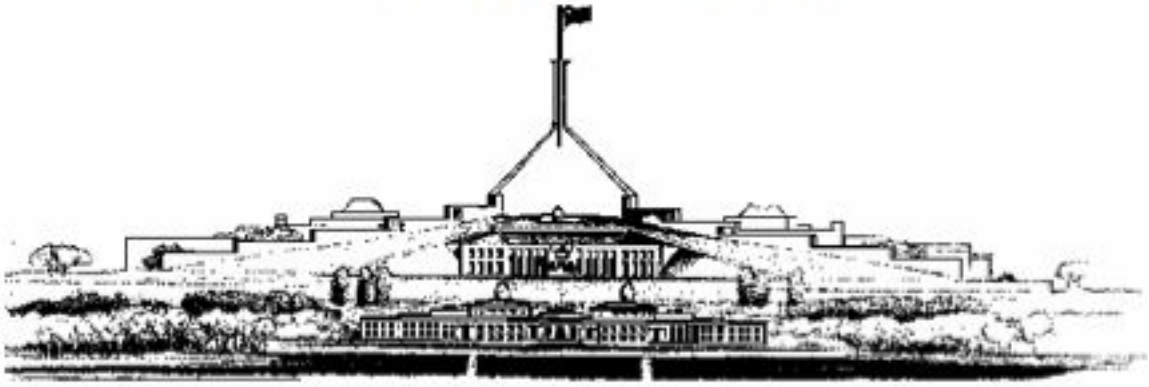
COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

BILLS

Asset Recycling Fund Bill 2014, Asset Recycling Fund (Consequential Amendments) Bill 2014

Second Reading

SPEECH

Thursday, 19 June 2014

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date	Thursday, 19 June 2014	**Source**	House
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Questioner		**Responder**	
Speaker	Zappia, Tony, MP	**Question No.**	

Mr ZAPPIA (Makin) (11:01): The Asset Recycling Fund Bill 2014 and the cognate bill are yet another example of the Abbott government's spin, the Abbott government's arrogance, and the Abbott government's extreme right-wing ideology, an ideology of a government that wants to privatise everything, wash its hands of social responsibility and let big business control the economy. The Abbott government wants people to believe that by renaming projects, by reannouncing projects, or by rearranging funding the government is offering something new.

There is no doubt that Australia's infrastructure is lagging and that it is holding back productivity. Good infrastructure has a direct effect on national productivity and on national wellbeing. That is why Labor, on coming to office in 2007, made infrastructure spending a national priority. Governments must lead and show initiative in the provision of public infrastructure.

Major infrastructure projects are, however, costly, often costing hundreds of millions, if not billions, of dollars. For that reason it is critical that projects are chosen carefully, that the right priorities are made and that projects provide good value for the funds expended. No business would spend large sums of money without a careful cost-benefit analysis of the expenditure required, and nor should governments. That is why evaluation by Infrastructure Australia needs to be tabled in parliament before a project is committed to.

The amendments proposed by the member for Grayndler do just that and will ensure that each major project is properly scrutinised and that the Australian people can have confidence in the project cost and the priority given to it. They can have confidence that the project is not just another government pork-barrelling exercise. The amendments also provide for the inclusion of a disallowable instrument, so that only projects that have a proven productivity benefit—that is, those that pass the test—will be funded by this parliament.

This legislation also proposes to pay state and territory governments an incentive of some 15 per cent—that is, to bribe them—for privatising their assets and then reinvesting the funds they receive from those assets into new infrastructure. So the multiplier effect would give the impression that this government is spending huge amounts of money on new infrastructure.

There may be some cases where privatising can be justified. I share the views of the member for Grayndler, who says that each case should be treated on its own merits, case by case. I believe that is fair and reasonable. There certainly may well be examples where it is in the public interest to allow an asset to be sold. But I also see that privatisation is too often used by governments as back-door taxation. Assets are sold and governments use the money to pay off debts or to fund other government expenditure. Once in private ownership, the price of the services or the use of those assets—whether it is toll roads or something similar—increases. But it is no longer a government asset and the governments that have sold them can wash their hands of the responsibility that goes with being in government. I saw that happen in South Australia when a previous Liberal government sold off that state's electricity assets. The choice at the time for the government was very simple: it could have cut government expenditure, or borrowed additional money, or sold the assets. By selling the assets what they effectively did was increase taxes to the people of South Australia, because paying higher electricity prices, as they ultimately did, was the alternative to the government perhaps having to increase taxes.

There is a fundamental difference, and that is that the people of South Australia, as in so many other cases where public assets have been sold, are then left paying higher prices, not just for the short term—perhaps a few years, which would have been the effect of the government having borrowed some money at the time—but forever and a day. Indeed, in my view, those higher prices are an alternative to a higher tax that the government could have imposed on the day but which would have been for a limited period.

I cannot think of one major government asset sale that has resulted in lower charges or lower costs to people, nor have I heard members opposite who have come into this place supporting this legislation provide one example

of where privatisation has resulted in lower costs to the Australian community. If they can do so, I would be pleased to hear the example that they provide. Conversely, there are numerous examples where assets have been privatised—right through from utilities such as water, gas and electricity through to banking, with the sale of the Commonwealth Bank and other state banks—where consumers ended up paying more and continue to pay more each day. Indeed, since the sale of the Commonwealth Bank and other state banks, bank profits have skyrocketed.

What is equally concerning about the sale of private assets is that the first thing that inevitably happens is that a new CEO is employed and the CEO is then paid millions of dollars—and, again, there are countless examples of that. It is the consumer, the Australian people, who are paying those excessive and exorbitant salaries to those CEOs as a result of privatisation. At least if an asset is in government hands, the government can determine the level of remuneration.

This whole issue was put so well in an opinion piece by Professor Sharon Beder, a visiting Professor at the University of Wollongong, reported in the *Sydney Morning Herald* on 10 January this year. I want to quote an extract of her opinion piece. I quote:

The privatisation of essential government services is not about competition and efficiency; it is about the redistribution of wealth and control.

Privatisation has become the final resort of governments that need funds but are afraid to tax the wealthy and prevent tax evasion by big businesses. Instead, government assets are sold in a scramble for cash at the expense of ongoing dividends and government control of essential services. Struggling families and small businesses suffer most from the inevitable price rises that follow.

For example, experience in the United States, where public and private enterprises supplied electricity contemporaneously, has consistently shown that public enterprises can provide a reliable service at lower cost to ratepayers. Similarly, in Britain and France, municipal governments offer water services at cheaper rates than privately operated services.

I understand that, in the US, some communities are now looking at buying back the very assets that they have sold, because they have come to the conclusion that it was not in the public interest for them to have sold those assets. It will be interesting to see whether that trend continues throughout the US and how successful they are in doing that.

I want to turn to the matter of where the Prime Minister wants to be known as the infrastructure Prime Minister of Australia. It is, again, just another one of those simple slogans that he thinks is going to become a reality. If the Prime Minister wants to be known as the infrastructure Prime Minister of Australia I can assure him that he is certainly not proving to be the infrastructure Prime Minister for South Australia. In this budget the Abbott government has cut South Australia's local road supplementary funding, which was worth $17.8 million last year and was worth $51 million over the last three years.

This is additional funding that has been provided to South Australia for over a decade in recognition that there is a flaw in the funding formula used for the distribution of this funding. South Australia has 11 per cent of the national roads and seven per cent of the population but receives just 5.5 per cent of the local roads funding. This is a flaw that has been recognised by both previous coalition governments and the previous Labor government. It has been recognised by way of supplementary funding for over a decade. This year, where the Abbott government claims to be putting more money into infrastructure than ever before and where the Prime Minister wants to be known as the infrastructure Prime Minister of Australia, the Prime Minister has cut that funding to South Australia. That means that local councils—and, in particular, country councils, who rely on this funding the most—will now have to raise their own taxes even higher if they want to carry out the necessary road works that they require.

To add to this, we know that the federal government has frozen the financial assistance grants to local government for the next three years. That is a $920-odd million hit to local governments around the country. Again, financial assistance grants support country councils more than any other group of councils—and, again, the country councils will be hit the hardest. For South Australia, where most of our councils are indeed country councils, the freezing of those grants is a double hit on the cut of around $18 million a year to local road supplementary funding. So they have now been hit twice by decisions of this government. It is no wonder that the cover of the latest *LGA News* says: 'SA roads to ruin'. The article inside the magazine highlights and identifies how South Australia is indeed going to be hit so hard because of the infrastructure funding decisions of this government.

But it actually goes one step further. If we look at the total amount of funding for infrastructure in the forward projections of this government's own budget, then South Australia gets $2 billion over the forward estimates out of $50 billion. That is only four per cent—even less than what we are getting out of the local road funding. So, South Australia has again been hit by the cuts in the local road supplementary funding, by the freezing of local government financial assistance grants and then by getting a lower percentage than I believe it is entitled to in terms of the total infrastructure package that this government has committed to.

It is interesting, because earlier this week mayors from around Australia were here in this place, and I know that they met with South Australian members of parliament, including the Liberal members of parliament. And I know that in their discussions they raised the question of the cuts to the $18 million supplementary road funding. They are very concerned about those funds. It is interesting that we have an assistant infrastructure minister who comes from South Australia. My question to the member for Mayo, the member for Barker and the member for Hindmarsh—who I know met with the mayors from around South Australia—is, where were you when the cuts were being made to South Australia? And what are you going to do about restoring the funding that South Australia loses as a result of this budget? The reality is that once again South Australia has been dudded by the Abbott government, and South Australian federal Liberal members have gone missing when the state has depended on them.