



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



**HOUSE OF REPRESENTATIVES**

**Federation Chamber**

**BILLS**

**Appropriation Bill (No. 1) 2014-2015,  
Appropriation Bill (No. 2) 2014-2015,  
Appropriation (Parliamentary Departments)  
Bill (No. 1) 2014-2015, Appropriation Bill (No. 5)  
2013-2014, Appropriation Bill (No. 6) 2013-2014**

**Second Reading**

**SPEECH**

**Monday, 26 May 2014**

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

---

## SPEECH

**Date** Monday, 26 May 2014  
**Page** 4268  
**Questioner**  
**Speaker** Ramsey, Rowan, MP

**Source** House  
**Proof** No  
**Responder**  
**Question No.**

**Mr RAMSEY** (Grey) (18:02): There comes a time when you have to stand up and be counted, when all of us have to make serious decisions about our future. In particular, governments should do what they believe is right for the nation and not necessarily what they believe will be popular in the short term. That is the point we are at at the moment. I have always said that we as elected members are sent to this place not to agree with every whim of every constituent who comes to see us each day. We are sent here because we are considered to be well-rounded individuals who will make well-informed decisions on behalf of our electorates. That is what governments should do as well.

I turn to the budget. Is the budget today in crisis? There have been great discussions about that throughout the media and other places in Australia. This budget, the sixth one by Wayne Swan, that was left to us by the Labor government is \$49 billion in the red. Is that a crisis? Could we as an incoming government have kicked the can down the road for a couple more years? Perhaps we could have, but by then the remedies would be more painful.

I am worried that the civilised democracies of the world are in some way failing. They are still, as Winston Churchill said, the worst form of government except for all the rest. But, in fact, it seems to be increasingly difficult in advanced democracies for governments to give people what they need rather than what they want. If governments give people what they need and the constituency turns to another party that says it will give them what they want, which is the easy way out, then those who have the strength to deliver what they need are never in power. I see this right across the democracies of the Western world. And that is why it is so important to act earlier rather than later, before the problem becomes insurmountable—and we do have enough of a problem at the moment.

Those who say that our debt is nothing to worry about, that it is not even to the average of the OECD nations, demonstrate to me that they have very little experience in managing debt and managing business debt. I was a farmer before I got to this place. Farmers say, 'We understand that there's good debt and there's bad debt.' Good debt for a farmer means that you might be expanding your agricultural operation. You might be buying the neighbour's farm, or you might be investing in land improvement. You might be investing in new machinery that will make you more efficient and grow a better crop. That is good debt because you are borrowing to grow a bigger pie. Bad debt is if you go and spend it on things like machinery you do not need, for instance, or overseas holidays, boats or beach shacks. Now, there is nothing wrong with any of those things, and many of my friends have them, but I strongly suggest that they do not borrow money to achieve those outcomes.

In a national sense, examples of good debt are when governments borrow to build roads, rail and new ports and make the nation a more prosperous place. Bad debt, but not necessarily bad spending, is when we borrow and borrow increasing amounts to deal with the day-to-day expenses of government—things like pensions, health and education. And especially bad debt—I will put in another category here—is when government borrows money and wastes it. We have seen a bit of that in the recent past: pink batts, overpriced school halls, hopelessly run low-cost-housing initiatives for the homeless and an NBN plan drawn up on the back of a coaster. Since I am probably at risk of getting completely off the subject, enough said on that particular subject at the moment.

But how have we come to be where we are? After six years of Labor government, we have total deficits of \$191 billion and another \$123 billion more in the pipeline. Treasury says that, without change, Australia faces deficits until 2024, and the Commission of Audit indicates that, without serious changes, they will not end then either. With no change in policy, we know that Australia would reach a peak debt of \$667 billion. Remember Prime Minister Rudd's pronouncement—and he is a good friend, I am sure, of the member opposite, the member for Bruce. Mr Rudd said, 'We will be a government committed to surpluses.' But then, when he became elected and we had the GFC, he qualified that statement and said, 'We are a government that is committed to surpluses over the economic cycle.' Sixteen years plus—I just wonder: how long is that economic cycle? We are left in this mess because Labor has no plan but the fairy plan. That means that the fairies down at the bottom of the garden will do the job.

We already pay \$1 billion a month in interest on the borrowings, and in another six or seven years, without change, that would double to \$2 billion a month. Perhaps those who think that is manageable should consider where our economy is at the moment. Interest rates could very well double in a period like six or seven years. We are at the low end of a cycle on interest rates. Two-thirds of our debt is held overseas and so is subject to the vagaries of international exchange rates, and we, as an exporting nation, are very susceptible to volatile commodity prices. In only the last few weeks we have seen iron ore, for instance, drop below \$100 a tonne, down from \$130 less than six months ago. Those types of shocks for the Australian economy are very real and could happen at any stage. That is why we need to be more conservative than other nations.

We have known many of the problems facing the Australian economy for quite some time. Peter Costello's 2003 *Intergenerational report* laid it out on the table. We have an ageing population and a bulge which is going to put demands on our economy that we have never seen before. Costello, to his credit, is the only Treasurer up until Joe Hockey to actually have a go at trying to do something about it. It is all very new age to dump on Peter Costello now and say: 'He didn't do enough with the mining boom. Why didn't they save more money?' But at the time my memory was that there was plenty of pressure going around saying, 'Why are you taking all our taxes and running a \$20 billion surplus?' So Peter Costello wisely invested in the Future Fund, around about \$70 billion. That is now \$88 billion. Since Costello left the Treasury, since we lost the election in 2007, what has been contributed to the Future Fund from government funds? Nothing, not another cent. Yet it was meant to target \$140 billion, and that is just to meet the superannuation costs of public servants. Yes, the budget has some firm measures but none of us should believe any of the hyperbole predicting the end of the world as we know it from the usual suspects. What else can they say? Largely we are where we are now because of them.

Take, for instance, the higher education reforms. Last year I was privileged to be part of a Liberal Party working group on online education. It was an eye-opener. The advent of the massive online open courses has been a revolution across the online world. Increasingly quality universities around the world are focusing their resources into developing quality degrees online. In the future you will see students in Australia being able to log onto their online course 24 hours a day for advice. They will have computer systems which will adapt to their learning ability, that will build new work programs around the student reflecting their weaknesses and their strengths. This will be a revolution. So instead of shopping down the end of the street at the local university for your degree, you will be able to have your degree from the very best universities in the world wherever they may be.

We know that Australian universities, like our schools unfortunately, are slipping down the pecking order. The people who make the loudest noise would have us believe that everything is working now. It is not working now. We have got problems in the system now that we need to address. Unless we do something we are heading for a slow train wreck because much of the money that sustains our higher education system at the moment is coming from overseas students, chiefly out of Asia. If we keep slipping down that pecking order we will not have those students because increasingly they have better universities and they will have that online opportunity to get quality degrees at a reasonable price. We have to allow our universities the flexibility to adapt into this new marketplace and we really do need to have a number of quality universities in the top 20 and in the top 100 so that we can market brand Australia as an education destination.

Let us have a quick look at Medicare and the co-payment. Ten years ago we were spending \$8 billion on Medicare; now it is \$19 billion, more than double. The Australian population in 2004 was 20 million; now it is 23 million, an increase of 15 per cent. So we have doubled expenditure on Medicare while our population has only gone up 15 per cent. If we do nothing, by 2024 it will be \$34 billion, or almost double again. I do not have to tell you the population will not be doubled by then. Clearly that is not sustainable. That is why we need to make a stand now and start to pull the budget back into order.

I have been saying throughout my electorate that the budget has something that everybody does not like and I think that is probably an indication that we are trying to spread the load across the electorate. On that basis I have been saying to Australians that we all have to bear a bit of pain and all have to do our bit for the nation. That is why I say they should consider the budget as a down payment on Australia's future. However, on the basis that we should spread the pain equally across Australia and the states and electorates, I must register my disappointment at the loss of the supplementary roads program to South Australian councils, one that cuts particularly close to home. This supplementary road program has been in place since 2004. It was recognised by John Howard and Peter Costello in those times that South Australia was the victim of a faulty formula in the distribution of the identified local roads funding program. In 2004 the government funded a three-year program to address this shortfall. In 2007 it extended it for another three years. In 2010 the then Rudd government gave it two more

years and, in 2013, just one more year. You would have to think that that was just to get it past the election. To my mind, there is no way that, had the Labor Party been returned, we would ever have seen the program funded again on that basis—because it was not in the forward estimates.

Even though I understand that, in that case, it would be a new funding program for this government, I do not think we have got it right. The perception that the formula is flawed is held widely throughout South Australia. It has been in place since the early 1990s and I think that, if we are not to have the funding, at the very least we should have a review of this situation—and it should be done urgently. So I am calling on my colleagues in government to move towards that position, to fix a wrong that has existed for some time. If the South Australian councils have the opportunity to have their say and their case is found wanting, at least we can then move on from that conflict and say, 'That is behind us—you have had your opportunity and we have found that the formula is correct, so let's put up with it.' If, on the other hand, it is found to be deficient, then of course as a government interested in fairness we should do something about it.

Without taking us too far off track, in the 35 seconds I have left I would like to look briefly at what happened in Greece. While I do not liken Australia's debt situation to that of Greece, let me say that when we talk about Australian government debt we are talking about only 50 per cent of it. Fifty per cent of it is held by the states. For those that compare us to other OECD countries, they do not necessarily have state debt. In about 25 years, Greece went from not much debt to an absolute cot case and they had to cut the pension by over 60 per cent. *(Time expired)*