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HOUSE OF REPRESENTATIVES

BILLS

**Appropriation Bill (No. 3) 2014-2015,
Appropriation Bill (No. 4) 2014-2015,
Appropriation (Parliamentary
Departments) Bill (No. 2) 2014-2015**

Second Reading

SPEECH

Tuesday, 3 March 2015

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Speaker Leigh, Andrew, MP

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Dr LEIGH (Fraser) (13:02): On 6 August 2013 the member for North Sydney, now the Treasurer, said:

I'm not afraid to accept responsibility and I am not afraid to be accountable. We will own it from day one ... We will be responsible for the Australian economy.

What Australian economy was it that the government inherited? That is outlined in the Pre-Election Economic and Fiscal Outlook. The Pre-Election Economic and Fiscal Outlook is not a creature of the Labor Party. It is indeed a creation of Peter Costello, through the Charter of Budget Honesty. It ensures that governments can no longer pretend when they win office that they were unaware of the state of the books. Prepared independently by the secretaries of Treasury and Finance, it makes absolutely clear the state of the books when a government takes office. The member for Cook understands this. He said at the despatch box opposite that the Pre-Election Economic and Fiscal Outlook reflects the true state of the economy when the government takes over. Perhaps that is why so many pundits are suggesting that the member for Cook will be Treasurer before the year is out.

In the Pre-Election Economic and Fiscal Outlook a range of forecasts were made. The deficit in 2014-15 was going to be \$24 billion; net debt \$212 billion; unemployment forecast to peak at 6.25 per cent; consumer confidence well above average levels; and growing wages. Since this government took office we have seen a significant increase in the deficit for 2014-15, a significant increase in net debt for 2014-15, unemployment higher than was forecast in the Pre-Election Economic and Fiscal Outlook and consumer confidence in the doldrums.

We have seen real wages stagnating. So much for Senator Abetz's claim that there is a wages breakout—in fact, we are getting some of the most sluggish wages growth that Australia has seen in 20 years. And this is off the back of a significant rise in inequality, where wages growth for those in the top 10th has been three times faster than wages growth for those in the bottom 10th. From the period 1975 to 2014, real wages growth is 72 per cent for the top 10th and just 23 per cent for the bottom 10th. If cleaners and checkout workers had enjoyed the same proportionate wage gains as financial dealers and anaesthetists, they would be \$16,000 a year better off today. So stagnant wage growth hurts those at the bottom of the distribution.

What is also hurting Australia is the fact that the Treasurer is in breach of the law. The Treasurer is in breach of a law brought into this parliament by Peter Costello called the Charter of Budget Honesty. He is refusing to table the *Intergenerational report* within five years, as the Charter of Budget Honesty requires. This is the first Treasurer in Australian history to breach this provision of the Charter of Budget Honesty—to be in breach of the law. Not only is this Treasurer breaching the Charter of Budget Honesty provisions on releasing the *Intergenerational report* but he is also refusing to acknowledge what Peter Costello laid down in the Charter of Budget Honesty.

What every independent commentator recognises and what the member for Cook—possibly the next Treasurer of Australia—recognises is that the Pre-Election Economic and Fiscal Outlook is the independent state of the books when the government takes office. Asked whether PEFO was wrong, Mr Hockey said:

Yes it was, because it didn't properly account for various losses that needed to be addressed and various capital replenishments such as the Reserve Bank that needed to be addressed.

This is simply not right. The *Pre-election economic and fiscal outlook* is an accurate statement of the state of the books when this government took over, and it does not include decisions that the government has made since coming to office, like giving \$9 billion to the Reserve Bank, with no evidence that the Reserve Bank asked for or needed that money; like giving \$1 billion back to multibillion-dollar firms who need a tax handout from this government like Prince Philip needs a knighthood; like making decisions to put in place a gold-plated paid parental leave scheme that gives five times as much to those at the top than those at the bottom. Decisions like this have cost the government bottom line.

In addition to that, we have the government's decision to hand over \$3 billion of public money for the East West Link without a rigorous cost-benefit analysis. Auditor-General, Ian McPhee, is now pursuing that issue in a formal investigation. He has made preliminary inquiries with Infrastructure Australia and the Department of Infrastructure and Regional Development. In a letter to the member for Grayndler, he said that his audit will examine whether the commitment of \$3 billion of public money had been informed by 'appropriate advice' and 'sound governance arrangements'. That audit will be an interesting assessment as to this government's commitment to fiscal prudence. How can it be fiscally prudent to give money to a state government before they need to pay the money—to give two \$1.5 billion cheques to the Naphthine government in advance payments in June 2014? As a sideline, it also breached a federal coalition promise made before the 2013 election that there would be no infrastructure projects of more than \$100 million made without a rigorous cost-benefit analysis.

The Australian economy faces some serious challenges. The Reserve Bank has made clear its views about economic growth, showing that growth is continuing at a below-trend pace, with 'domestic demand growth overall quite weak'. We have unemployment worse than it was at the peak of the global financial crisis. As Peter Martin pointed out in a column on 10 February, if you look at the total number of hours worked per month, it has scarcely moved since the end of 2011. We have had significant population growth over that period and new workers joining the labour market, and yet the total number of hours has not budged. That reflects the growing trend towards part-time work. Under-utilisation is a serious problem in the Australian labour market and it is rising under this government's watch. This government is trying to hide facts from the Australian people. They not only hid the *Intergenerational report*, breaking the law that requires them to bring it out, but have withheld from the budget the family impact statement. We know from freedom of information requests that they were prepared by Treasury and given to the government, but then the government failed to include them in the budget.

We have a Treasurer who seems to get so many fundamental facts wrong. He thinks fuel excise is progressive, but then, when faced with the evidence, refuses to acknowledge that it is a regressive tax. He says that poor people do not drive cars, when in fact his own data shows that the majority of people in the bottom 10th of the distribution do drive cars. He says his electorate in North Sydney has 'one of the highest bulk-billing rates in Australia', but it has one of the lowest in all of Sydney. And he has claimed—and this is a real corker—that Australians are working half the year for the government, that the income tax burden is requiring Australians to work half the year for the government. But, as everyone knows, you put all the taxes together—look at local, state and federal government as a share of GDP—and it is a third, not a half. If you look at income tax—the tax that the Treasurer was referring to—the average tax rate is about 19 per cent, not 50 per cent. That is an error showing that the Treasurer is out by more than a factor of two. I do not know who he talks to—who is paying half their income in tax—but I do know that, if you want to find somebody whose average tax rate is close to 50 per cent, you need to find someone with a \$10 million income. Maybe they are the kinds of people who are informing the Treasurer's thinking. It might explain why the Treasurer brought down a budget which takes \$1 in every \$10 from the pockets of the poorest single parents while making rich singles better off.

This would be the wrong decision for Australia at any time, but particularly after the vast rise in inequality that Australia has seen over the past generation. As Peter Martin wrote in his column:

Specific businesses are at a standstill. Universities don't know what fees they will be allowed to charge, students enrolling don't know what fees they will eventually be asked to pay, doctors don't know what will happen to their incomes, electricity generators don't know what will happen to the renewable energy target, big businesses don't know whether they will be hit with the 1.5 per cent paid parental leave levy and what it will be used for.

That is why business confidence is in the doldrums. The recent National Australia Bank survey found a broad sense of unease across the community. ANZ-Roy Morgan Consumer Confidence shows, as chief economist, Warren Hogan, says, 'a disappointing lack of momentum'. He said:

... households are clearly concerned about the economic outlook and job security ...

NAB's chief economist, Alan Oster, said:

The trend in business conditions has lost momentum.

When we look at the ACCI survey which measures confidence of chief executives, it has the worst results in the 23 year history of the survey. ACCI chief executive, Kate Carnell, said:

Business owners are feeling pretty grim at the moment after a fairly bleak Christmas period ...

We saw a glimmer of hope in the middle of the year with a slight upturn in conditions, but that has now been reversed.

She goes on to say:

Generally speaking, the climate for investment is terrible at present and businesses don't see much need to expand their capacity.

So much for the shot of adrenaline that this government was going to bring to Australian business confidence.

The lack of confidence among Australia's business community may come because of the decidedly mixed signals the coalition is sending on foreign investment. Labor supports increased transparency for Australia's foreign investment regime, but what we do not support are measures which will be a red-tape nightmare for potential investors and which will drive investors in agricultural land elsewhere at a time when our agricultural sector is hungry for capital. Without foreign investment in Australian agriculture, there would be fewer jobs and those that exist would be worse paid. Yet, knowing this, one of the Treasurer's first decisions was to knock off American firm Archer Daniel Midlands' bid for GrainCorp—the first time a Treasurer of Australia has knocked off a significant United States foreign investment bid. It happened under this so-called open-for-business government.

The flip-flopping on policy issues was best illustrated in a column by Peter Costello on 3 February in the *Daily Telegraph*. I do not often agree with Peter Costello but even a stopped clock is right twice a day. He was talking about the parental leave scheme, which he called a 'regressive' scheme that was 'not a Liberal policy', which 'Australia could not afford', and it was 'a bad policy'. He went on to talk about the way in which that policy and its backflip were articulated. He said:

The ambitious woodchucks eager for promotion who have been extolling its virtues to the public now say it is right to drop it. It's one thing to change your mind on principle. It's another to spin on the head of a coin for the sake of advancement. Respect is hard won but easily lost in politics.

I suspect we are going to see some more of that spinning on the head of a coin for the sake of advancement from many members of the Abbott government over coming weeks.

Having gone uphill and down dale to tell Australians why they should pay more to go to the doctor, the government is now telling us why GPs should be listened to. The fact is: if this government were serious about listening to GPs, then it would have acted to drop its GP tax many months ago. I held a roundtable with general practitioners in my office recently and I would hear stories from GP after GP about the early detection of problems when people come to their and thus saving the health system money—catching the problem at the early primary health care end rather than the later, much more expensive hospital end.

We have a budget that the government thinks can be solved by marketing—just by getting the Australian people to pay a bit more, to spruكة the Intergenerational Report. But this problem is not the marketing, it is the product. This government's economic policy is the Ford Edsel, the Betamax video tape, the Spork of budgets. This government's last budget is a product that the Australian people do not need and comes at a price that our community cannot afford. Australia needs a fair set of solutions that deal honestly with our challenges. Labor has contributed, as the shadow Treasurer has pointed out, the first salvo in the battle of ideas this week. We will continue to come forward with positive ideas to make Australia great again.