



COMMONWEALTH OF AUSTRALIA

**PARLIAMENTARY DEBATES**



**HOUSE OF REPRESENTATIVES**

**BILLS**

**Appropriation Bill (No. 1) 2015-2016,  
Appropriation Bill (No. 2) 2014-2015,  
Appropriation (Parliamentary Departments)  
Bill (No. 1) 2014-2015, Appropriation Bill (No. 5)  
2014-2015, Appropriation Bill (No. 6) 2014-2015**

**SPEECH**

**Monday, 25 May 2015**

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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## SPEECH

**Date** Monday, 25 May 2015  
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**Questioner**  
**Speaker** Leigh, Andrew, MP

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

**Dr LEIGH** (Fraser) (15:12): I spoke before question time about the budget's impacts on Canberra and I now turn to the broader impact on the budget. In the last sittings, the shadow Treasurer gave a speech in which he said that the Prime Minister got to the so-called budget emergency, kicked the tyres on the fire truck and then drove off. Subsequently, the shadow minister for finance has said that he likes the shadow Treasurer but on this one he thinks he is wrong. He thinks when the Prime Minister arrived he threw a Molotov cocktail, crashed the fire truck and then gave a press conference to blame Labor. I like the shadow minister for finance but on this one I think he is wrong. I think in the case of the so-called budget emergency the Prime Minister drove the fire truck over the neighbour's cat, started a back-burning operation that went out of control and then decided he had to save the mansions but leave the weatherboard homes to go up in smoke. On the way, he stopped to give the order of the garter to a favourite koala and then gave a press conference to blame the trees for burning down.

This government said that the core test of economic management was to get debt and deficits under control. It is clear that most economists would not rate that as the core test of economic management. Indeed, there were a number of senior economists during the last term of government that criticised Labor for focusing on budget balance rather than on other issues. But this was the test that the government set itself from opposition.

The government said very clearly that it believed that the core test of economic responsibility was a government's ability to run a balanced budget. They nominated Peter Costello as their epitome of fiscal credibility because he, through a series of budgets, was mostly able to deliver surpluses. But he was only able to deliver those surpluses through the sale of public assets and in part because of the government revenue windfall generated by mining boom mark 1. Most economists would not regard Peter Costello as the greatest Treasurer we have ever had. Indeed in his new book Ross Gittins compares the legacies of the various Australian treasurers of his time—and he ranks Peter Costello pretty low.

Even if one does take running a balanced budget as the test of fiscal success, it is very clear that the government have failed. In opposition said they would deliver a surplus in their first year of government and in every subsequent year. How have they gone on that test? Upon coming to office, the Treasurer moved quickly to bring down a budget update—a budget update that doubled the deficit through things such as giving a \$1.1 billion tax break back to multinationals and giving the Reserve Bank \$9 billion that they had not even asked for. This year's budget yet again doubles the deficit—and that is a doubling of the deficit not relative to the Treasury and Finance numbers in the Pre-Election Economic and Fiscal Outlook but a doubling of the deficit based on the government's own numbers. If we compare last year's budget with this year's budget, the deficit has gone from \$17 billion up to \$35 billion.

On the issue of debt and deficits, it is now clear, according to respected economist Saul Eslake, that the net impact of policy decisions by this government has been an addition of \$8 billion to the deficit. He estimates that policy decisions in this year's budget worsened the budget bottom line by a total of \$8.2 billion and that policy decisions in last year's budget had had a significant impact on the budget bottom line as well. Mr Eslake notes that the government claims to have offset all of their initiatives, but he then inquires how that could be the case. At a recent budget panel session in the Parliament House theatre at which we both spoke, he explained how the government was able to make that claim. The government is only able to claim they have offset all their initiatives because in their first budget they announced an unfair paid parental leave scheme and put the money for it in the contingency reserve and then this year decided not to proceed with that bad policy—and then counted their failure to go ahead with that unfair scheme as a saving! Why didn't we think of that? Why didn't we think of announcing a bad policy, not implementing it and then—after deciding not to implement it—counting the money as a saving? It is fiscal genius! If you discount that interesting piece of accounting, it is very clear that the government is failing to offset its decisions.

There was a further trick in the budget papers: earnings from the Future Fund are counted towards the surplus. As Saul Eslake points out, more than half the projected surpluses from 2025 arise out of this accounting trick. Saul

Eslake noted, in the budget forum at which we both spoke, that he was raising the issue hesitantly—because, as he put it:

... the last time I was critical of a government for the way it accounted for things in the budget the then treasurer, Peter Costello, rang up the chief executive of the bank I was working for, John McFarlane, and said that he would take regulatory action that ANZ did not like if I repeated those kinds of criticisms ... I don't think Joe Hockey is as glass-jawed as Peter Costello is, so I'm not really worried about that in this context.

He added:

... you might have thought that it would have been disclosed more obviously than in a footnote to a chart ...

This budget also includes a \$5 billion development fund for the north of Australia. These resources will go, according to the government, to 'those who are unable to access finance at a reasonable cost'. Five billion dollars is a large sum of money in anyone's language. You might therefore have expected that, if a government were announcing a \$5 billion fund, they would provide some detail about how that fund would operate. Seeking to discover how the fund will operate, however, respected journalist Laura Tingle contacted the infrastructure minister's office and was told that the minister's office 'had no details on the scheme'. The minister is sitting at the table here and would perhaps like to add some detail about how this \$5 billion fund is going to work. I would welcome him doing so at some point in this debate.

All the Treasurer's office have said is that the facility is 'aimed at economic infrastructure that will increase the productive capacity of Northern Australia', and they reiterated that the funding will go to projects unable to access finance at a reasonable cost. But they also said that, broadly speaking, the fund would target projects that had the ability to generate a return. So these will be projects not funded by banks but nonetheless able to generate a return for the taxpayer. Perhaps a careful analysis of such projects exists, but any such analysis has so far unfortunately been unable to find its way into the public domain. This would perhaps be less important were we not talking about a \$5 billion fund.

What this budget does is effectively shift a range of budgetary challenges onto the states. The states have spoken out very clearly about their concerns, particularly about the \$80 billion in cuts to health and education. Not only Labor premiers but conservative premiers—Mike Baird, for instance—are deeply concerned about the impact this will have on their budgets.

I spoke before question time briefly about the impact on inequality. We have new modelling from NATSEM, the Prime Minister's modeller of choice, showing that the poorest 20 per cent of households with children will lose up to seven per cent of their total annual disposable income in 2018-19, but households with children in the top 20 per cent will see their disposable incomes increase very slightly, by 0.2 per cent, by 2018-19. We know, according to this new modelling, taking into account last year's budget and this year's budget, that nine in 10 low-income households are worse off as a result of these budgets and nine in 10 high-income households are left better off.

This is not just a budget which is bad for inequality, now at a 75-year high in Australia after a generation in which earnings had risen three times as fast for the top 10th of wage earners as for the bottom 10th of wage earners. It is also a budget which fails to make investments in innovation. We know that, as Australia transitions from the investment phase of the mining boom to the production phase of the mining boom, we need to ask the question about where the jobs of the future will come from. That is why the Leader of the Opposition's budget reply focused on getting more scientists, more technology workers, more engineers and more mathematicians.

It is important that we provide all Australian students with the opportunity to code. Some people may regard coding as a skill which can only be learnt at university. I certainly, as an empirical economist, did my share of coding using programs such as Stata, but I have also enjoyed the new apps available to teach coding to kids. My five-year-old enjoys Daisy the Dinosaur, an app which I would strongly recommend to any parents listening. It is fundamental in teaching the rudiments of coding, loops and the sequencing of instructions to children. Coding is just one skill that we will need to lay the foundations for future prosperity. It was a pleasure for me to join Senator Sinodinos and Brian Schmidt at a forum organised in 2012 at Government House, talking about innovation and entrepreneurship. This is the sort of conversation which Labor has sparked and which we continue. There is the iAccelerate facility at the University of Wollongong, which I visited last week. *(Time expired)*