



Kelvin Thomson MP  
Federal Member for Wills

**Main Committee**  
**APPROPRIATION BILL (NO. 5) 2008-2009**  
**APPROPRIATION BILL (NO. 6) 2008-2009**  
**11/03/2009 Second Reading**

**Kelvin Thomson (Wills)** (11:58 AM) —I begin my remarks on the Appropriation Bill (No. 5) 2008-2009 and cognate bill by saying that the Howard-Costello Liberal government squandered the good times of the resources boom, leaving behind a dubious legacy of massive foreign debt, high interest rates, poorly focused government spending and skills shortages. The member for Higgins' 11-plus years as Treasurer were characterised by a lack of spending discipline and weakness and failure in his core responsibility of keeping the budget strong. The member for Higgins would have us believe that he was tough on spending. For example, he told the authors of a John Howard biography:

There hasn't been a single day when I have been Treasurer that I haven't worried about spending. That's what Treasurers do.

But in reality the legacy is quite the opposite. Treasury in its 'Economic Roundup Summer 2008' report gave a damning post-mortem of the former Treasurer's budget management skills. I quote:

...real government spending has grown faster in the period from 2004-05 to 2007-08 than in any other four-year period since the 1990s recession.

... ..

The recent growth in spending stands out, along with the growth in spending under the Whitlam Government in 1974-75 and the increased spending following the recessions in 1982-83 and 1990-91.

The recent growth in spending is particularly noteworthy given that Australia has experienced 17 consecutive years of real GDP growth. The economy is currently operating at close to its limits of capacity.

The former Treasurer was either incapable or unwilling to rein in the spending of his Prime Minister and other ministers. He oversaw and presided over procyclical budgets which fanned inflationary pressures that the Reserve Bank was then required to tackle by increasing interest rates. His spending negated the effects of the automatic stabilisers, lower unemployment benefits and higher tax receipts in budget policy.

Jessica Irvine from the *Sydney Morning Herald* pointed out in March 2008 that of the \$334 billion budget windfall delivered by the resources boom, over the period 2004 to 2007, \$314 billion—that is, just about all of it—was matched by increased spending or tax cuts. Jessica Irvine wrote:

Treasury has also charted how the previous government abandoned the search for budget savings. Since the Coalition's second budget, the number of budget measures with a component aimed at saving money fell from nearly a third to just 1.5 % in its final years.

Furthermore, the number of budget spending decisions more than doubled from 359 to 825 in the 2007 pre-election bonanza. The number of decisions with a price tag of more than a billion dollars rose from one to nine. The increase in real spending over the four years to June 2008 was the biggest four-year increase since the aftermath of the 1990s recession. Commonwealth grants grew from just over 12,000 grants worth \$729 million in 2004 to mind-blowing 49,000-plus grants worth more than \$4.5 billion in 2007. That is more than five times as many grants and something like six times as much money spent.

The Treasury paper also warned that continuing reforms are necessary to improve productivity and participation to ensure that the government's finances can be made more sustainable. The Reserve Bank had repeatedly warned the Howard government that if it did not address the skills shortages, lack of capacity and infrastructure constraints in the economy it would mean slower output growth and the risk of higher inflation. There were no fewer than 20 separate warnings about capacity constraints driving inflationary pressures from the Reserve Bank over the period 2004 to 2007, but these warnings went unheeded by the former Treasurer.

The member for Higgins also claimed, as Treasurer, that the former government was 'setting economic policy with a view to making sure that we are not overexpansionary, keeping the government in the business of building savings, making sure that growth is continuous and avoiding a return to the old boom and bust'. The member for Higgins' claim that he was running a spending policy which would avoid a return to the old boom and bust is revealed by the Treasury analysis to be laughable. He was not alone in making that claim, however. The former Minister for Finance and Administration, Senator Minchin, also claimed in 2006 that the government had spending and other settings which would avoid the classic boom and bust scenario of the early 1970s when Australia experienced a surge in metals prices. Like the former Treasurer, the former finance minister's claim to have moved Australia away from the cycle of boom and bust was just absurd.

The writer George Megalogenis has reported on the previous Treasurer's record as follows:

... the Howard government reduced the scope for Rudd to manage the downturn. A deficit becomes inevitable, in part because it takes even more money to get the attention of the public. Think about it. The money voters received between 2004 and 2007 has, more likely than not, increased their exposure now that the bubble has burst, because they translated those handouts into more debt.

George Megalogenis goes on to say:

Taxpayers are best left to their own devices in good times. The funds they invest in the property or stock markets should be drawn from their own labour, not via a free meal ticket, the theory being that people are always more cautious with their own money than with someone else's.

It is not as though the previous Treasurer's spending strategy built our national infrastructure. It was always about cash handouts to voters at election time. Our national infrastructure has not kept pace with population growth and our skills have declined.

But it is when examining our foreign debt that the member for Higgins' failure as Treasurer is most stark. Who could ever forget the infamous debt truck that the Liberal opposition used in the 1996 election campaign that criticised the Keating government for what was at the time a \$200 billion net foreign debt representing 38 per cent of GDP. It now stands at \$658 billion or around 60 per cent of GDP. Under the member for Higgins, the debt truck became a road train.

How is this important? Because we need to remind ourselves that the Howard government failed to progress the Keating government proposal to lift the superannuation guarantee from nine per cent to 15 per cent. Superannuation reform stalled at nine per cent after the election of the Howard government in 1996. Whether that was due to an underlying bias against industry funds and the ideological prejudice that unions should not be allowed into the domain of high finance, or for purely petty political reasons, in that it was a successful Labor reform, does not matter. What does matter is that that neglect has now come home to roost with a growing foreign debt and a dependence on foreign borrowings from toxic financial markets.

As David Love indicates in his recent book *Unfinished Business: Paul Keating's Interrupted Revolution*:

We are not in the trim condition that we were in the 1990s, when major fluctuations of the Australian dollar could run their course externally, exciting currency markets in New York and London without leading to an adverse affect on the domestic economy. Pressure on domestic resources is already too tight and the demand for domestic credit is spilling over into ever unpredictable international financial markets.

In explaining the need to achieve 15 per cent superannuation, Mr Love gives a background on the economic thinking behind the original reform, described by Paul Keating as the golden circle—that is, 'a line running through rising household savings to rising capital supplied to rising international strength to stable interest rates and back to rising household net wealth'. Today this golden circle is broken. The level of domestic savings is well below the level of expenditure. The current account deficit is six per cent, and this has exposed us to an excess of tainted offshore money. The private sector deficit is a real problem, with the big commercial banks borrowing short-term funds abroad to finance such things as housing booms which are settled at about six per cent of national income, give or take a percentage point.

Mr Love points out that Paul Keating's thinking behind raising superannuation payments from nine per cent of income to 15 per cent—that is, by six percentage points—was that it would make Australia less vulnerable to the current account deficit because our banks' propensity to borrow that extra six per cent would be matched, roughly, or offset, by the domestic workforce's propensity to save an extra six per cent of pay. This would have contained our growing foreign debt.

Had superannuation grown to 15 per cent in 2000, it is estimated that it would now be worth \$1.5 trillion, funding more domestic investment here and reducing the overheating in the economy and the excessive spillover into overseas borrowings. Australia's vulnerability to the likes of currency hedge funds and therefore to the global financial crisis has been heightened due to our chronic tendency to spend abroad more than we save. I quote Nicholas Gruen from Lateral Economics in an article in the *Financial Review* on 2 February this year. He

said our growth path from economic downturn 'should be focused on investment, particularly in traded goods and services' and:

Converting investment into strong net export growth also requires higher saving, which can be delivered with further increases in compulsory super.

Had the previous government followed through on increases in employee superannuation, we would now be directing the superannuation funds to spend them on productive investment to increase public confidence. This would have boosted the supply of domestic bank deposits relative to international ones, with a figure in the area of \$500 billion extra potentially available. This would have changed the balance of supply relative to demand in domestic deposits, which would then lower their interest price. I regret the fact that the previous government did not move superannuation forward from nine per cent but preferred to spend money on election bribes, leaving Australia in a weakened and diminished position as a consequence.

These appropriation bills contain funding to accelerate additional water purchases in the Murray-Darling Basin—and I heard the previous member speak on this issue. I want to draw the attention of the House to recent comments by the Leader of the Liberal National Party opposition in Queensland, Lawrence Springborg, during the election campaign in that state. Mr Springborg has warned that a Liberal National Party government would renege on the historic Murray-Darling agreement if it found that local farming communities were worse off. This is an incredibly irresponsible, backward-looking approach. It is a recipe for disaster. The Murray-Darling Basin is like a bridge which is carrying heavy trucks and starting to crack and subside. You do not say to the trucks, 'Because we let you cross this bridge until now, we're going to keep on letting you do this and take the gamble that the bridge won't collapse completely, becoming useless to all traffic and possibly destroying trucks which are not on it at the time.' The responsible thing is to say, 'We might have made a mistake here.' You close the bridge to heavy traffic, you fix it and you work out what weight of traffic it can withstand. It is the same with the Murray-Darling. You need to reduce the amount of water being extracted from the river, reduce the load it is expected to bear and work out what load it can sustain without collapsing. Mr Springborg is a backward-looking Liberal National Party leader—he is not alone—unable to see beyond the destructive self-interest that has contributed to the plight of this great river system.

As reported by James O'Connor and Chris Tzaros in the March 2009 edition of the Birds Australia publication *Wingspan*, the Murray lakes, Lake Alexandrina and Lake Albert temporarily averted ecological catastrophe as a result of 200 millimetres of rain during August and September last year. This rain prevented the spread of acid sulphate soil brought about by dryness of the lake beds, but there is an ongoing need to inundate the lakes and maintain water levels. It is estimated that 30 gegalitres is required by the end of September 2009 to again avoid acid sulphate poisoning. One option gathering momentum is for the South Australian government to approve the opening of the Lake Alexandrina barrages to allow sea water through to inundate the lakes. The potential impact of this is unknown. The lakes have a freshwater history. To introduce salt water to the system could have major, long-lasting and adverse effects. Mr O'Connor and Mr Tzaros say:

Unfortunately it may come down to choosing the lesser of two evils—acid sulphate or salinity ... Unless environmental water is delivered down the Murray, the lower lakes will suffer one of these fates.

So there is an alternative: restoring river flows.

I am delighted that the federal and New South Wales governments have acted to restore water flows in the Darling River by purchasing the Toorale Station on the Warrego River, a major tributary of the Darling, with its 20-gigalitre storage capacity, last September. Floodplain habitats will be added to the New South Wales reserve system, and river structures removed, to allow flows to progress downstream. Other water entitlement buybacks are required. I welcome the Labor government's commitment to this. I deplore Mr Springborg's willingness to undermine this. It is ironic that the National Party is engaged in a campaign in Queensland involving bumper stickers which read 'Don't Murray the Mary'. How about Mr Springborg stops Murraying the Murray?

Finally, I want to comment on the appropriation in Appropriation Bill (No. 5) of \$34 million in additional funding to support 241 childcare centres, threatened by the collapse of ABC Learning, till 31 March. The collapse of ABC Learning ought to be a matter of great embarrassment to the Liberal and National parties, who have their fingerprints all over this debacle. The founder and long-time Chief Executive of ABC Learning, Eddy Groves, donated \$135,000 to the Liberal and National parties between 2002 and 2007. This included \$10,000 he gave to the campaign of the Liberal candidate for the Queensland seat of Mount Gravatt, after Queensland's then Minister for Families, Disability Services, Seniors and Aboriginal and Torres Strait Islander Policy and member for Mount Gravatt, Judy Spence, cracked down on poor standards at one of his childcare centres in 2002—a disgraceful thing for Mr Groves to have done.

It is not surprising that the collapse of ABC Learning has caused a lot of community unrest and soul-searching. A woman in my electorate from a political organisation called Solidarity, Judy McVey, was the architect of a forum held in my electorate a couple of weeks ago which found that community centres were more stable and resilient and offered fairer working conditions than the privately run centres. At that forum, people from a wide range of backgrounds—including childcare workers, unions, childcare educators, local politicians and the local community—discussed how to save the childcare centres in the Moreland area that had been threatened with closure. That debate had implications for the future of childcare provision in Moreland. A motion was passed at that meeting. I have been asked to convey that motion to the House, and I am pleased to do so. It says:

This committee meeting in Moreland Victoria notes:

Australia is now experiencing the most serious market failure in history. As Kevin Rudd has said in the recent *Monthly* magazine " ... it is a financial crisis which has become a general economic crisis ... clearly the days of effective non-regulation and unconstrained financial innovation are gone, and must not be allowed to return."

We do not believe that such an important service should depend on the outcomes of the free market. The government has put millions of dollars into banks and financial services—it's time to put money back into human services.

No child care centre should be allowed to close, for want of financial support.

We call on:

1. The Federal Government to provide quality fully-funded child care for all children who need care. Child care policy and services administration should be under the control of the public sector, and delivered by not-for-profit local government or community organisations.

2. The ACTU and child care centre unions to launch a campaign for the nationalisation of ABC Learning Centres.

Child care should be about kids, not profit!

At that meeting, Paul Slape, the National Secretary of the Australian Services Union, said that the collapse of ABC Learning had greatly disrupted the lives of children in care and workers. He believes local government is providing the best childcare available in terms of stability, proper staffing and proper training. He made the case for local government to be the logical operator, saying local government is closest to the community it serves and sensitive to the needs of ordinary people. The meeting also heard from Barbara Romeril, the Executive Director of Community Child Care Victoria. She said that services for young children and their families should be owned and operated by local communities, for the good of the community, and that the exorbitant rent of commercial buildings made the former ABC Learning centres a tricky proposition for community organisations wishing to take over operating leases. She said rent usually takes up one-fifth of operating income for private centres whereas community run facilities paid peppercorn rent to local councils.

There are a number of features in this appropriation bill which time does not permit me to explore, but I commend the bill to the House.