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PARLIAMENTARY DEBATES



**HOUSE OF REPRESENTATIVES**

**PROOF**

**Second Reading**

**SPEECH**

**Monday, 25 May 2009**

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## SPEECH

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**Questioner**  
**Speaker** Thomson, Kelvin, MP

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**Responder**  
**Question No.**

**Mr KELVIN THOMSON** (Wills) (1.05 pm)—Listening to the speech by the Deputy Leader of the Opposition makes me wonder why they do not make her shadow Treasurer—oh, I'm sorry. They tried that already! This is a forward-looking federal budget that seeks to stimulate the economy to preserve jobs.

**Ms Julie Bishop**—Madam Deputy Speaker, I rise on a point of order. I wonder if it is necessary for the member for Wills to be so venal and personal.

**The DEPUTY SPEAKER (Ms S Bird)**—It is not a point of order.

**Mr KELVIN THOMSON**—It also sets out to address the unsustainable spending from the previous government. The current apocalyptic argument that the opposition is running on debt levels is a cynical political ploy to instil fear in the electorate, and this at a time when the economic imperative is to generate confidence, not fear, in the community and business, which the government has already endeavoured to achieve with the stimulus packages we introduced.

It is important to consider both the budget deficit and net debt figures as a percentage of GDP, as this exposes the hysteria being peddled by the opposition. Even after accounting for revenue downgrades, the government's financial position remains one of the strongest in the world. Our projected levels of net debt are lower than any of the advanced major economies, with a forecast peak of 13.8 per cent of GDP in 2013-14 compared with an estimated 81 per cent of GDP for the 25 largest advanced economies collectively—that is to say, 13 per cent compared with over 80 per cent. The projected net debt for the United States and the United Kingdom is 83 per cent of GDP in 2014, while Japan has forecast net debt of 136 per cent of GDP in 2014. Furthermore, net debt in Australia is projected to fall back to 3.7 per cent of GDP by the end of the medium-term projections in 2019-20.

The budget deficit for 2009-10 of \$57.6 billion represents 4.9 per cent of GDP, which is less than half the collective deficit of 10.9 per cent for the major advanced economies and much smaller than the 8.8 per cent of GDP collective deficit for all advanced economies. A natural recovery in revenues

and spending restraint is expected to see the budget return to surplus by 2015-16.

This budget builds on the objective of restoring confidence and preserving jobs, with targeted infrastructure spending, while also delivering economic justice, with a paid parental leave scheme and a substantial increase in pension payments. A \$22 billion investment in nation-building infrastructure is, I think, the centrepiece of the 2009-10 budget. It includes \$4.6 billion to improve nine metropolitan rail networks in six of Australia's major cities, including \$3.2 billion towards a rail link from West Werribee to Southern Cross station and \$40 million towards the east-west rail tunnel linking Footscray to the CBD. There is a \$4.5 billion investment in the Clean Energy Initiative to assist Australia's transition to a low-carbon economy and to help us build the jobs of the future. It includes up to four large-scale solar electricity generation projects. There is \$1.5 billion in recurrent funding for universities and students, including \$491 million over four years to uncap the number of public university places from 2012, which, I think, is a terrific measure. This will facilitate an increase in places from next year, with an extra 50,000 students commencing university courses by 2013. There is also \$394 million of new funding over four years to encourage greater participation by low-income students in higher education, along with greater support for lower-income students.

The government has found room, under difficult economic circumstances, to deliver an increase to pension payments for singles of \$32.49 per week and there is a \$10.14 per week combined increase for couples. This is a significant initiative; it is very relevant to my own electorate. In my budget reply speech last year I spoke of the financial plight of pensioners and I detailed the concerns and efforts of the Moreland Seniors Action Group, amongst others.

The infrastructure spending in education also fits in well with speeches that I made in parliament last year, particularly the need to give priority to disadvantaged young Australians in accessing a university education in order to address skills shortages rather than trying to meet our skills needs by increasing the number of skilled migrants.

The spending on rail infrastructure will also address the neglect by the previous government and reverse

what I think is essentially backward thinking by National Party transport ministers, who invariably take the view that the Commonwealth government should not support urban public transport.

The federal budget of 2009-10 is working in tandem with the Reserve Bank of Australia and monetary policy by running a counter-cyclical budget deficit to support aggregate demand in the economy. It is a responsible policy response to allow the budget balance to adjust to short-term movements in the economic cycle and not undertake a slash-and-burn approach that would offset this adjustment and be inherently pro-cyclical and make the economic downturn worse. If we adopt a pro-cyclical approach—if we engage in slash and burn—this would exacerbate the impact of the global recession on the Australian economy; it would lead to a greater loss in output, it would lead to unemployment and it would lead in the medium term to a higher budget deficit.

The measures outlined in the budget are consistent with the commitment by G20 countries to deliver the fiscal stimulus necessary to restore growth. The most effective fiscal stimulus measures are those that provide the largest boost to aggregate demand when it is most needed and they include measures to stimulate household, business and infrastructure spending.

Spending on infrastructure not only has a multiplier effect on economic output but also improves the productive capacity of the economy in the longer term. The OECD has found that Australia's fiscal stimulus measures are among the most effective in the OECD in terms of stimulating economic activity and supporting employment. It has found that the first phase of Australia's fiscal stimulus provided an immediate and significant boost to household incomes, which contributed to retail sales growth. It has also found that the second phase of fiscal stimulus, which focused on infrastructure investments, could be implemented within a relatively short timeframe while the third phase, which was outlined in this budget, moves to major economic infrastructure projects. It further found that Australia's fiscal stimulus measures are expected to have a substantial impact on economic output and employment by boosting GDP and reducing the forecast peak in the unemployment rate. This is in stark contrast to the record on fiscal policy of the previous government, which, despite numerous warnings from the Reserve Bank, continued to run a pro-cyclical budgetary policy that fanned inflation and pushed against the best efforts of the Reserve Bank and monetary policy to contain inflationary pressures.

As I have mentioned in the parliament before, of the \$334 billion budget windfall delivered by the resources boom during the period from 2004 to 2007, \$314 billion—that is, nearly all of it—had been matched

by increased spending for tax cuts. The writer George Megalogenis reported on the previous government's record as follows:

What is clear with hindsight is that the Coalition wrote cheques to the electorate that would bounce once the mining boom turned to bust.

A study by the *Weekend Australian* revealed that a dramatic shift occurred in the tax mix between 2003-04 and 2007-08 whereby both company tax and capital gains tax collections surged, but not permanently. When the global recession hit, revenue collections from these sources collapsed to their pre-boom levels leaving a \$20 billion hole in the federal revenue base.

In total, there has been \$173 billion worth of downward revisions over four years to 2011-12, equivalent to 14 per cent of total taxation receipts. Company taxation and capital gains tax account for around \$90 billion and around \$30 billion respectively of these revisions. Adding an estimate of the downward revision for the newly included year of 2012-13 takes the downward revisions across the five years of forward estimates to around \$210 billion.

The surge in revenue in the minerals boom was squandered by the coalition in unsustainable handouts between 2004 and 2007, leaving what has been described as a structural deficit. Along with a foreign debt legacy of \$658 billion, or around 60 per cent of GDP, the Liberal Party today has the political gall to be pontificating about debt, having left Australia exposed to economic imbalances of persistent current account deficits, heavy net external indebtedness and an elevated household debt-to-income burden. The member for Higgins is speaking in the public domain about how you do not need to wait for a financial crisis to fund infrastructure and then, remarkably, stating that this is the ongoing business of government. This is truly remarkable given his record—his lack of courage in standing up when he was Treasurer to Prime Minister Howard. In the biography on John Howard's prime ministership, the member for Higgins revealed that the 2001 business activity statement simplification exercise in response to a small business outcry was nothing more than window dressing, but the member for Higgins failed utterly to curb the middle-class welfare and various election bribes the former Prime

Minister Howard engaged in after 2002. I again quote George Megalogenis:

Howard and Costello took middle-class welfare to absurd heights to win the 2004 election. In that year, they drove the handout line—

by which Mr Megalogenis means the proportion of the nation's income derived from government payments—

past 16 per cent for the first time on record.

Treasury papers show that from 2002-03 onwards the structural budget balance deteriorated, moving into structural deficit in 2006-07. All the while, the individual indebtedness of Australians and Australia's national foreign indebtedness blew out—skyrocketed. In those years, we had a profligate Prime Minister and a lily-livered Treasurer. Mr Howard's statement that Prime Minister Rudd should be thanking him every night for the economy he, Mr Rudd, inherited is, frankly, just laughable. 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. His legacy was an infrastructure shortfall during the resources boom, while presiding over an extravagant growth in Commonwealth grants. For example, in 2004 there were 12,000 grants totalling \$729 million but, by 2007, there were 49,000 grants worth more than \$4.5 billion, more than five times as much.

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 but occurred at a time when savings were required to mitigate the overheating economy or where spending should have been targeted to address skills shortages, lack of capacity and infrastructure constraints. The former Treasurer was either incapable or unwilling to rein in the spending of his Prime Minister and other ministers. The Liberals and their doctrine of trickle-down economics gave us Work Choices; yet, paradoxically, they were profligate in government spending and failed to address the fundamental weaknesses in fiscal policy and the economy at large.

By contrast, the Labor government is driven by a sense of fairness. It is uncluttered by obsolete doctrines that have caused this economic downturn and that brought hardship upon productive businesses, workers and families. The government has brought down a budget which aims to restore government finances to sustainable levels in the long term and promote a culture where Australians understand that welfare should be directed to those in genuine need, rather than splashed around as a political bribe. This government is delivering practical and appropriate

measures through fiscal policy which, in conjunction with monetary policy, seeks to promote economic recovery in Australia.

I return to three areas of the budget which I am particularly enthusiastic about and which I have spoken about and campaigned for in recent times. The increase for single pensioners and pensioner couples—\$32.49 per week for single rate pensioners and \$10.14 for couples—is something which I referred to in my speech on the appropriations last year. I pointed out the efforts of Gino Iannazzo and Vic Guarino, representatives of the Moreland Seniors Action Group, who did a lot of campaigning about this issue last year. I talked about the way in which pensioners had lost spending power since the introduction of the GST and, in particular, how they had been losing spending power in the course of the last three years. The government also introduced more assistance for carers at a total cost of \$1.8 billion over five years. I need to bring to the attention of the House the fact that the Moreland Seniors Action Group and others have spoken to me about the budget increase for couples and expressed concern about whether this increase will be adequate for them. I have also mentioned in the House previously that I think we should be looking to lift the couples rate relative to the singles rate. I know that the increase in the singles rate is motivated by compassion, is well meaning and is motivated by concern for the present circumstances of single pensioners, but I think the fact that two can live more cheaply than one makes this a more desirable household formation which should not be penalised.

I think the community would have fewer problems of loneliness and isolation and a more efficient use of housing and other resources if we had fewer single-pensioner households and more pensioners living together or with family and friends who could provide them with financial and emotional support—and, let me add, vice versa. It cannot be said too often that many grandparents and great-grandparents are important sources of mentoring, childminding and other support which adds value to families and communities. So I think this is an area where we need to get the right policy outcome, and I do not think that it is satisfactory if we have a situation where there is a financial disincentive for pensioners to do anything other than live alone. I do not think it is good for people to live alone. I think that companionship, support and the pooling of physical, financial and emotional resources is a good thing and that people caring for each other and sharing the load is a good thing. I would like to see—and I note that the Moreland Seniors Action Group and others in my electorate have also said to me that they would like to see—the couples pension rate approach

that of the singles rate rather than having these things get further and further apart.

I also want to draw attention to the funding for the urban public transport projects. I mentioned earlier the \$3.2 billion towards a rail link from West Werribee to Southern Cross Station and \$40 million towards the east-west rail tunnel linking Footscray to the CBD of Melbourne. This is something that I mentioned in parliament last year and I supported the work of the activist group GetUp, which has been campaigning for spending on urban public transport for a variety of reasons. It is regrettable that the previous government was not prepared to invest in urban public transport. The history of the other side has been that the National Party has always had the transport portfolio and the National Party minister has never supported funding for urban public transport. This is regrettable. There are very serious problems of congestion in our major cities—Brisbane, Sydney, Melbourne and others—and to address those problems adequately requires substantial infrastructure investment. I am delighted to see that this budget includes those measures.

I also wish to support the amount of money which is being put into increased university places. I think the idea that we can have an extra 50,000 students commencing university courses by 2013 is terrific. In conclusion, this is a nation-building budget which lays the foundations for a stronger and more prosperous future.