

GUARANTEE SCHEME FOR LARGE DEPOSITS AND WHOLESALE FUNDING APPROPRIATION BILL 2008

Second Reading

[Mr ROBERT](#) (Fadden) (9.10 p.m.)—Isn't it interesting that we find ourselves in the House at this time debating this bill, the [Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Bill 2008](#)? It was only a few sparse weeks ago that the Leader of the Opposition called upon the government to introduce an appropriation bill for wholesale funding on the premise that Standard & Poor's and other rating agencies would only provide AAA rating to wholesale guarantees if the redemption could occur in a timely manner. Clearly, without an appropriation bill, timeliness was not possible. If the parliament were on recess, away on a six-week break, either parliament would be recalled or a redemption as in the government guarantee on wholesale funding would take the length of time of the break plus time for parliament to pass an appropriation bill and for it to receive royal assent.

You would think that a government, once informed of this, would simply say thank you and get on with the job. But, unfortunately, one nervous little Treasurer thought it best to assault, attack, rebuke and fire away, denouncing the opposition's call. Yet here we are. One should, I suppose, give credit to the government for realising the error of its ways and for coming back into the House to do the sensible, the right and the appropriate thing—to pass an appropriation bill so that in the event of the wholesale guarantee being required it can indeed be paid in a timely manner. But the question needs to be asked: what has forced the government's hand? The government has shown through a series and a multiplicity of errors that its pride gets in the way of it coming back to correct the errors it has made. Could it be the egregious nature of the error of not passing an appropriations bill simply meant that the wholesale guarantee would not achieve a AAA rating and the government had no choice?

It is interesting to reflect that this government is the only government on the planet that has actually made things worse through its handling of the financial crisis. Let us think about that for a second. The whole range of countries affected by what has been going on has passed legislation, has passed bank guarantees and has made thoughtful and prudent steps. Clearly the crisis we are in is something that governments have not faced to the degree in which it has occurred for a long time. Because of that, caution has been the order of the day with most governments. They have trod warily, they have thought carefully, they have legislated prudently. But not this government. This government has not trodden carefully. It has not embraced economic modelling. It has not sought advice. It has not got all regulators in the one room at the one time.

When the dollar was floating, at least the Hawke and Keating government at the time had the good sense to have the Reserve Bank governor next to them, amongst other officials. But not this government. And because of the haste with which they have jumped into this, they are the only government—not only in the developed world but on the planet—whose decision making has made things worse. This began very early on in the government. It began with them taking the Treasury bench, when the government felt it necessary to expose the apparent dreadfulness, the dire consequences, of the Howard-Costello years and sought to inflate and exaggerate an inflationary issue. Indeed, when inflation reached three per cent the Treasurer, a day before the Reserve Bank raised interest rates, rolled out that famous comment, 'The inflation genie is out of the bottle,' followed by the Prime Minister, who spoke of the 'inflation monster wrecking the economy'.

At a time when other comparable OECD countries were ensuring fiscal policy that reduced interest rates and were increasing spending, seeing the dark, looming clouds on the horizon, what was this government doing? They were talking up inflation by

imagining a wrecking monster and an almighty genie carving its way through. They increased taxes. The rest of the world was cutting taxes. This government increased taxes by over \$19 billion over the forward estimates and they cut spending. They did exactly the opposite of what other sensible governments were doing.

To make matters worse they even cut spending to critical economic institutions such as the Australian Prudential Regulatory Authority, APRA, and the Australian Bureau of Statistics. They cut spending to organisations that are now so sorely needed. Then on Tuesday, 14 October Prime Minister Rudd and Treasurer Wayne Swan announced a package of spending measures totalling \$10.4 billion, \$9.65 billion to be spent in the 2008-09 financial year. Half of the forecast budget surplus has been spent.

We—we now know foolishly—took this government on trust, we took it on good faith, perhaps no more. We thought that perhaps they would do the proper modelling. We supported the bill because we thought no government would be so reckless as to commit \$10.4 billion without seeking appropriate advice, without regulatory statements, without impact statements and without proper economic modelling to ensure that the desired stimulus outcome was indeed what would occur. You can imagine our surprise. You can imagine the nation's surprise when it was revealed that nothing of this sort was done.

There was persistent questioning in the House as the opposition sought to fulfil its role and appropriately question the legislation. There was no response from the government at all. It is not hard to see how this government is clearly out of its depth. That squandering in the shallows continued when the Rudd government announced midyear that it would introduce the government guarantee of up to \$20,000. On 10 October, as the coalition observed what other comparable nations were doing, we called on the Rudd government to increase that guarantee to \$100,000 in response to reports of deposits being moved from second-tier banks, building societies and credit unions into the four big banks.

Other nations moved to increase their bank guarantees, the Brits to ~35,000, the French to just over 200,000 comparable dollars, the Americans increased theirs to over US\$200,000 and other nations moved to sensible levels somewhere between A\$100,000 and A\$200,000. But not to be outdone, what did our Prime Minister do? He announced an uncapped guarantee for all deposits in Australian banks, building societies and credit unions and for Australian subsidiaries of foreign banks and for wholesale term funding. He said he had sought the advice of our financial regulators. However, we later found out that the Prime Minister had in fact not received any direct advice from the responsible regulator, which is responsible for the stability of banking system, the governor of the Reserve Bank. He had not been directly consulted. The Prime Minister actually rolled out to say, 'When we had made the decision, we turned to Secretary Henry to say'—almost as an afterthought—'is this also the view of the other regulators?' Apparently, Secretary Henry indicated it was. One of the most momentous decisions to be made and the governor of the Reserve Bank and the head of APRA were not even in the room.

What was the impact of the decision? At the end of the day you cannot hide behind facts. You cannot hide behind the truth and the reality of what actually happened. The decision created turmoil within the Australian financial system. Thousands of Australians, in fact almost 270,000 Australians, have had billions of dollars of savings in cash and property management funds frozen in investment funds. I was at a veterans dinner last Saturday night sitting next to Ms Kay Wilson who explained how she and her husband, a veteran, have had their money frozen because 13 out of the 20 top cash and property management accounts were receiving such a run on their redemptions to the four banks that they closed redemptions for up to six months because people were moving money into the uncapped guarantee area.

Major providers of credit to car retailers have withdrawn from the Australian market due to problems assessing commercial funding. Some estimates, and the numbers would appear horrific, have 20 to 40 per cent of car dealerships closing by Christmas—if that is to be believed—because of the inability to access funding because most cars in car yards are leased. The chief executive of the Motor Trades Association of New South Wales is the person who rolled out the figure of 40 per cent of car dealers going to the wall along with 30,000 jobs.

The Westpac CEO, Gail Kelly, has called on the government to place a cap of \$100,000 on the deposit guarantee. That is not what the government did—they gave an unlimited guarantee that completely skewed the financial markets. Then under pressure the Treasurer—that nervous Treasurer we have—in perhaps a moment of some weakness or perhaps indecision but clearly not having a grasp of his brief, rolled out that there will be a deposit tax. ‘Compulsory,’ he said walking up to the dispatch box, ‘it will be compulsory.’ If it is compulsory, it is a tax. The next day, of course, under pressure he repealed that and said, ‘No, it may not be compulsory.’ The following day, Friday, he rolled out, ‘It will be voluntary, except for those with over \$1 million. If they want it, they’re going to have it and, yes, they’ll have to pay an amount of money for it.’ This is our Treasurer. This is the person at the helm of our fiscal financial system in whom we are supposed to have faith. The decision created absolute turmoil within the financial market.

The coalition has been calling on the government for more than a month to release current economic forecasts. By way of history, we know that when the Howard-Costello government came in in 1996 the finances from the previous Labor government were in an embarrassing shambles. The then finance minister Kim Beazley said that the budget was actually in surplus and balanced, but it turned out that it was over \$10 billion in deficit. It was a shameful omission by the former Labor government. When we came in we found the books in such an abhorrent position that to ensure that no Australian government ever faced that degree of dishonesty and that degree of sham the Charter of Budget Honesty Bill, which required a Mid-Year Economic and Fiscal Outlook, a MYEFO, was put in place. Treasurer Swan finally released the information on the day of the United States election. This is a Treasurer who stood up before the election saying that they would bring transparency into the system. He had the information for a number of weeks but he chose the day of one of the most momentous US elections to deliver it in order to hide it from the Australian people—to hide the evidence of the economic bungling of what this Treasurer had done for the country. The MYEFO revealed that there had been a dramatic turnaround in the figures that this government inherited when it came to office in November. It inherited a first-class economy, the envy of the world, an economy that had zero Commonwealth debt, an economy that had superannuation taken care of in the form of the Future Fund. The economic indicators had been heading all the right way. Indeed, unemployment had dropped in February to something like 3.97 per cent. But the economic mismanagement of the Rudd government, including Treasurer Swan, since coming to office has severely hampered where we sit.

Consumer confidence has dropped to the lowest level since recordings were kept. Confidence is about expectancy. It is about expectation. It is about how consumers and small business expect the future to be. When the readings were showing consumer confidence at an all-time low in the very first half of the year, the great clouds of the economic crisis—what we now know as the KFC—had not quite crested and broken. Consumer confidence was responding to the lack of confidence being exhibited by the government. MYEFO showed that the \$22 billion surplus would now be little more than \$5 billion, and many commentators are saying that the government may already be in a deficit position.

This week Access Economics has indicated that the next two financial year budgets, just on committed spending alone, will already be in deficit. It took the previous Howard-Costello government 11½ years to get us out of the quagmire that the previous Labor government subjected us to and to pay off the appalling debt that they had driven the nation into, and it would appear that in just 12 short months the Rudd Labor government are putting the nation back into deficit again. The rhetoric from the government is indicating that they are going to use the global financial crisis as an excuse for incompetence and mismanagement every step of the way. Their rhetoric is indicating that they are preparing a nation for a deficit budget position. If the economy is growing at two per cent as MYEFO has indicated, which is surprising because Prime Minister Rudd indicated that growth will have a two in front of it—and Treasury for the first time in recorded history actually changed the way they looked at what growth will be by looking at a lower interest rate rather than at the interest rate which prevailed at the time MYEFO was done—that is a perfectly respectable growth rate. A nation should be proud of two per cent growth. If we have a two per cent growth, there is no need for any deficit budgeting. The opposition will not provide a leave pass for a poorly managed and incompetent government, headed by a very nervous Treasurer, to plunge the nation into deficit.

The government will blame the global financial crisis for everything. They will blame it for every bungle that comes along, however incompetent. Yet this opposition will not allow the government to get away with that. A two per cent growth is respectable; there is no requirement for deficit. What is required is for the government to stop making horrendous mistakes. Errors will be made and the nation understands that. This nation will always give credit to a bloke who stands up and says, 'Do you know what? I made a mistake but I'm going to correct it.' The average Aussie will give a bloke a chance, but they will not give a chance to an institution, an organisation or a government that tries to bluster and bungle its way through. The government are the only government on the planet that have bungled their response so much that things have been made worse in the nation because of it. I will give credit to the government for at least, after a month of our calling for it, coming into this House and putting forward an appropriation bill to allow for the wholesale funding guarantee. At least they listened. It would have been nice if they had said thank you, but perhaps that is a little too much to expect. The government are on notice that, however they pander to their union mates and colleagues, they cannot blame all of their incompetent decisions—their incompetent practices, their incompetent legislation, their job-destroying fair work legislation and the outcomes of that, which, industrially, will plunge us back 10 years—on the global financial crisis. This opposition will continue to keep them accountable. It will continue to open up and show the nation the mistakes and the mismanagement. We will not be bullied and blustered by the frontbench, and we will hold the government accountable.