

## MINISTERIAL STATEMENTS

### Economy

Mr ROBERT (Fadden) (5.29 p.m.)—I also stand to note the document. It is always a joy to follow the member for Leichhardt as he stands boldly to say that he agrees that it is appropriate for the budget to go into deficit and then has the audacity to roll out 'economic management' in the same sentence—spoken like a true Laborite when it comes to spend, spend and spend some more. It is interesting that, as the government moves on to a whole range of economic revisionism, the facts are dispensed with—they are getting in the way of a good story. So let us go back to the facts and have a look.

It began at the start of 2008. The government got hold of the Treasury books, Mr Swan and Mr Rudd opened the books and—in clear contrast to what Howard and Costello looked at in 1996, when the sheer hell of an economy with a massive deficit, with \$10 billion in interest payments, revealed itself—there it was: everything that Howard and Costello said was in order was, indeed, in order. And the only thing the government could find was inflation rising towards three per cent—and they pounced. They needed to try and disprove the outstanding economic record of the Howard-Costello years, so they pounced on inflation. The rest of the world could see the looming effect of the subprime mortgage collapse, the inherent credit tightening that that led to and the mismanagement and mistrust that had crept into banks that led to that credit tightening. Whilst everyone else could see that, and other countries across the world were lowering interest rates, increasing spending and lowering taxes, what was the Rudd-Swan government doing?

Let us look at the facts—not the rhetoric from the member for Leichhardt and the clichés that he rolls out in ever-increasing volume. What were the facts? The facts—and they are undisputed—are that the Rudd-Swan government began an assault on the Howard government's legacy, focusing on inflation. 'The inflation genie is out of the bottle,' our nervous Treasurer rolled out, and our Prime Minister followed with: 'The inflation monster is wreaking havoc.' Comments like these were made a day before the Reserve Bank met; consequently, interest rates increased twice.

The budget came down in May. Other budgets across the world, from real economic managers, were decreasing taxation and increasing spending. Not this one, which tightened spending and increased tax by short of \$20 billion. Everything the IMF said not to do this government did. Why? Because it had to try and disprove the truth of the economic miracle of the economy left by Howard and Costello. So it increased tax, cut spending and talked up inflation, which led to increases in interest rates. They are the facts. They are undisputed.

On 10 October, the Leader of the Opposition and the shadow treasurer called upon the Rudd government to take three immediate decisions to further strengthen the economy: firstly, to increase the government backed deposit guarantee to \$100,000; secondly, to increase investment in AAA based residential mortgage backed securities through the Australian Office of Financial Management purchasing the RMBSs from second-tier banks; and, thirdly, to announce an implementation schedule change of the ETS back to 2012 at a minimum. The coalition said it was committed to working cooperatively with the government to expedite passage of the bills. In fact Malcolm Turnbull, the member for Wentworth, had actually written I believe three times to the Prime Minister to say, 'We're happy to work cooperatively together,' and I do not believe the Prime Minister has even replied to the letters.

Not to be outdone, our trusty Prime Minister on 12 October announced an unlimited deposit guarantee, to operate for three years, and a guarantee of wholesale term funding by authorised deposit-taking institutions in return for a fee which was

unspecified at the time of the announcement. The Prime Minister told the Australian people that he was acting on the advice of the regulators. We now know, of course, that that was simply not the case. On 12 October the Prime Minister said, 'My officials have done considerable investigation on the design of these arrangements and in developing these measures I have received advice from the Governor of the Reserve Bank of Australia.' Well, surprise, surprise—the governor was not even in the room! You would think that, with something as monumental as an unlimited guarantee, the head of APRA would be in the room. Surprise, surprise—his chair was also vacant, swinging in circles. So who was in the room? The Secretary of Treasury was in the room. That was all. The other two were not.

In the parliament the opposition asked a range of questions regarding the detail and design of the scheme. The government was unable to answer even the most basic questions. On 21 October it was confirmed that the Prime Minister had not directly consulted the Governor of the Reserve Bank prior to announcing the unlimited guarantee. These are the facts. On 22 October, during Senate estimates, the opposition learnt that the decision to increase the deposit guarantee to an unlimited level seemed to be entirely a political decision directly in response to the Leader of the Opposition calling for a \$100,000 scheme. Senator Coonan, when speaking to Dr Henry, asked:

**Senator COONAN**—When did you first have a conversation with any senior member of the government about the possibility of extending the proposal for a \$20,000 capped guarantee to one that is unlimited in amount?

**Dr Henry**—It is hard to say. I suspect it would have been the day the Leader of the Opposition first suggested that the \$20,000 capped figure may not be adequate.

The Labor Party is particularly good at political strategies and particularly poor at economic ones. The government had initially claimed that it had been working on the detail of its bank guarantee for over a week and that the weekend meeting was merely to finalise details. That statement and Secretary Henry's statement are completely at odds with one another. So who is correct? If Dr Henry is correct, that would cast an aspersion of duplicity on the government.

The lack of policy detail underpinning these policy decisions has caused immense confusion for account holders, business and financial markets. Account holders were unable to find out for certain if their savings were covered by the guarantee or not. The government was unable to release a comprehensive list of institutions and accounts covered. To this day the list of accounts covered is only a sample and a comprehensive list is still not available.

With the savings of thousands of Australians frozen—270,000 Australian accounts were frozen—because of the market distortion of the guarantee, what did our Treasurer have to say? On 23 October the Treasurer, in a press conference, said—and I will quote it so we can all get the glory of the 'insight' of our nervous Treasurer:

So I say to the people who are adversely affected by some of these decisions that have been taken in these managed investment funds, do fully investigate your eligibility for income support through Centrelink, that's what I say to them.

Thank you, Mr Treasurer, for your erudite insight! The Treasurer then went on to deny ever having made his callous and disrespectful remarks. On 25 November he said:

I did not say that all people in managed investment funds who were experiencing problems should go to Centrelink.

Really? You did not, Mr Treasurer? That is odd, because, at a press conference on 23 October, you did. One can only suggest there is something duplicitous about what the Treasurer remarked.

It was revealed on 21 October that the Reserve Bank Governor had written to Treasury Secretary Henry on 12 October informing him that there should be a cap on the guarantee and 'the lower the better'. On 24 October the Treasurer announced that a \$1 million cap would now apply. The exclusion of foreign bank branches from the guarantee resulted in a rush of transfers from foreign bank branches to banks covered by the guarantee. On 28 October the government finally sorted it all out. After the Treasurer, on the preceding Wednesday, had said it would cover all deposits—so it was a deposit tax—on the Friday he changed his mind again.

It is interesting to note, as we reflect on Australia's response to the global financial crisis and as I have gone through a list of facts that are not disputed by anyone, that we are the only country in the developed world—the only one—that has gone backwards, that is worse off because of the government's decision making. Fact: we are the only country in the developed world where government decisions in the last few months to deal with the crisis have had adverse impacts. I am sure Treasurer Swan is incredibly proud of that!

Then the government released its Mid-Year Economic and Fiscal Outlook, and at the same time Access Economics, in the *Australian* of the week of 24 November, made it clear that future Labor budgets will be in deficit, by about \$1 billion next financial year, on current spending—preceding that announced by COAG—and by \$4 billion in the following two years. And the member for Leichhardt stood here full of cliches, glibly saying that this government is shrouded in good economic management.

Look at the stimulus package of \$10.4 billion. There is no economic modelling, no Treasury modelling, to see whether the stimulus that was put out there would indeed meet its stated intent. There is no regulatory impact statement—nothing. Look at the wholesale term funding guarantee the government rolled out. It said there was no need for legislation and then finally, under pressure from all quarters of the economy and from the opposition, it conceded that legislation needed to occur.

We are here today to take note of the government's response to the global financial crisis. Well, we certainly take note and we certainly point to the blunders, the mishaps, the knee-jerk reactions, the policy on the run and the attempts at one-upmanship on the opposition leader, all of which have led to this government making errors and making the economy worse. That is its response to the global financial crisis.

At the announcement of the budget, the Treasurer said he expected the Building Australia Fund to receive \$20 billion in instalments from Labor's surplus over the next two years. The question is: where is the money coming from now that there are no surpluses, now that it is highly likely the budget is actually in deficit? We are not looking at funds that will continue to pay dividends—just rapidly depreciating funds.

The Nation-building Funds Bill is very telling in that it establishes three separate financial funds: the Building Australia Fund, the Education Investment Fund and the Health and Hospitals Fund. The building fund will have initial capital of \$12.6 billion—\$7½ billion from the Howard-Costello surplus from 2007-08, plus the proceeds from T3 and the balance of the Communications Fund, all from the Howard-Costello years. The education fund will have \$8.7 billion—\$2½ billion from the 2007-08 surplus and the remainder from the now closed Higher Education Endowment Fund, all from the Howard-Costello years. The health fund will have \$5 billion entirely from the 2007-08 Howard-Costello years surplus. So these funds have a total of \$26.3 billion at their inception on 1

January next year of which not a single dollar is coming from any surplus from the Rudd government in 2008-09—not one dollar, not a single dollar. Through you, Madam Deputy Speaker, I ask the member for Oxley, who is the chamber, to throw in at least 10c so this government can say it at least contributed something to the \$26.3 billion-and-10c infrastructure funds, because right now the Labor government has not put a single cent into the infrastructure funds—not a cent. These are funds that the Howard-Costello government built up, and the Labor government is just grabbing them to do what Labor governments do best. And we all know what that is: surprise, surprise, it is to spend.

So we certainly take note of the Australian government's response to the global financial crisis. In many quarters, it is considered a poor response. They are now looking for a leave pass to go into deficit because they will not make the tough decisions. They say growth is at two per cent then they say, no, growth is less than that, but they will not make the tough calls. They want a leave pass to go into deficit because deficit is easy. Yet the Canadian Prime Minister is forecasting growth in Canada of only 0.6 per cent and he is saying with confidence, 'We will stay out of deficit.' This government does not have the character or the confidence or the ability to keep out of deficit. This government wants a leave pass to plunge the nation into debt, and it will not receive it from the opposition.

**The DEPUTY SPEAKER (Ms JA Saffin)**—Before I call the honourable member for Bendigo, could I remind members on both sides that some speakers have been straying dangerously close to imputations and reflections, which are always disorderly.