

**SOCIAL SECURITY AND OTHER LEGISLATION AMENDMENT
(ECONOMIC SECURITY STRATEGY) BILL 2008
APPROPRIATION (ECONOMIC SECURITY STRATEGY) BILL (NO. 1)
2008-2009
APPROPRIATION (ECONOMIC SECURITY STRATEGY) BILL (NO. 2)
2008-2009
Second Reading**

[Mr ROBERT](#) (Fadden) (1.39 p.m.)—I rise to provide some very reserved support for the government's [Social Security and Other Legislation Amendment \(Economic Security Strategy\) Bill 2008](#) and related bills, though I maintain grave reservations concerning the assumptions, the research and the modelling that this package was based on, if indeed it was based on anything. We took the government on trust with the bank guarantee, and we found that this government's trust is based on shifting and moving quicksand. The last few months have shown that this government is incapable of not making things worse. Thus, whilst reserved support is given, as this is what the nation is looking for, it is done with grave reservations.

If you look back at history it will show the way to the future. In 1996 the Howard government inherited an absolute nightmare. We inherited \$96 billion in debt from the previous Labor government—\$8 billion in per annum interest payments and a hole of over \$60 billion in unfunded super liabilities for military and public sector super. We saw unemployment at high rates, and we saw hopelessness endemic. Even the then Minister for Finance, Kim Beazley, said that the budget was balanced when the fact was that it was \$10 billion in deficit. The coalition inherited deceit, mismanagement, waste and an economic basket case that would have seen public company directors facing significant penalties. Our response to that level of deceit was acts of parliament like the Charter of Budget Honesty that requires books to be opened, election promises to be scrutinised and costed, and a mid-year economic and fiscal outlook to be provided.

Twelve years on from that 1996 election, the world-proclaimed economic miracle of the Australian economy under the Howard-Costello years has seen all of those perverse excesses of the Labor government swept away. In November last year, the new federal government, the Rudd government, inherited a great economy. It was debt-free. Successive surpluses had been delivered, unemployment lowered to four per cent, over \$60 billion in super liabilities catered for and the deceit and the financial cover-ups dispensed with through legislative requirements for disclosure. Furthermore, the strengthening of the independence of the Reserve Bank, the creation of the Australian Prudential Regulation Authority, APRA, in 1998 and the strengthening of ASIC have all ensured that our regulatory environment has coped well with the current global financial crisis. Our banks are sound, though the financial market has been distorted by the Rudd government's knee-jerk unlimited financial guarantee. Our companies remain profitable and, thankfully, our federal government is, for the time being, debt-free and able to deal with issues as they arise.

This government was left a surplus in the 2007-08 year of \$18 billion that allowed it quite easily to generate what was a \$22 billion surplus for the 2008-09 year. Yet the Rudd government has made a series of errors in response to the global financial crisis that now sees the surplus reduced by over 75 per cent to just over \$5 billion, and it appears that, within 18 months, the budget may well be in deficit again. It took the coalition 1½ years to pay off Labor's debt, get budget surpluses in place and get the government to start saving. It appears that this typical Labor government will reverse it all and put the nation in debt in a little over two years. Warnings about the growing crisis were made from mid-2007 but the new Rudd government ignored these. The former Treasurer, the member for Higgins, warned that the impact of the subprime loan crisis

was the main game. He knew, as did many other economic commentators, that even in 2006 up to 25 per cent of the \$2 trillion loaned in the United States for people to buy houses was loaned to those with no income, no jobs and no assets. They were NINJA loans. This was always going to come home to roost. You cannot lower interest rates in the States between 2000 and 2003 from six per cent to less than one per cent without having adverse consequences. Yet the Prime Minister and the Treasurer, rather than focusing on the future and looking at this financial tsunami that was cresting the horizon, decided to blatantly attack the economic legacy of the Howard government, claiming emphatically that inflation was out of control. In fact, the Treasurer claimed that the inflation genie was out of the bottle. The Prime Minister backed it up by saying that the inflation monster was wreaking damage across the economy. Clearly this put pressure on the Reserve Bank to raise interest rates at a time when other comparable nations were reducing interest rates because of the concern of the growing financial crisis. In the May budget, whilst other comparable nations were increasing spending and reducing taxes, what did this Treasurer do? He increased tax by \$19 billion and cut spending to critical economic institutions like APRA and the Australian Bureau of Statistics. History will judge this Labor government harshly.

On the economic stimulus package, on Tuesday, 14 October the Prime Minister and the Treasurer announced a package of spending totalling \$10.4 billion, with \$9.65 billion to be spent in the current financial year and the rest in the next financial year. There is \$4.8 billion for pensioners, carers, seniors health card holders and veterans; \$3.9 billion for families; \$1.5 billion for first home buyers; and \$187 million for training. This package represented half the forecast budget surplus, yet incredibly the Prime Minister and the Treasurer have admitted after persistent questioning that the government announced this package without any economic analysis from Treasury. There was no modelling, no analysis, no regulatory impact statement and no substantial research on whether this input into the economy would actually meet the stated requirement of stimulating consumption. Indeed, Secretary to the Treasury Ken Henry, when questioned at the National Press Club less than an hour ago about what the likelihood was of people receiving this money and not spending it, indicated that that would most certainly be the case in some areas. Half the forecast surplus has been spent without any modelling, any research or any knowledge of the impact. Ten billion dollars has been spent without any idea of its impact.

The government tells us to take them on faith—to trust them. Well, let us have a look at the basis of this trust and faith. We have a Prime Minister who will not accept any scrutiny of decisions. During the censure motion yesterday he did not even have the courage to stand up at the dispatch box and speak for himself, sending the Minister for Foreign Affairs in his stead. We have a Treasurer who took over two minutes to tell the media what the forecast inflation rate was. Inflation a few months ago was apparently the almighty wrecking monster, the all-powerful menacing genie and the leviathan of the deep. Now it barely rates a mention. In the Treasurer's case, he could not even remember the core inflation rate. That is like a doctor walking into the operating theatre and saying: 'I've forgotten where the heart is. Scrub nurse, can you let me know what side of the body it's on?' and then all of us having to wait two minutes while he figures it out. We have a Prime Minister who cannot even keep confidences when speaking to world leaders and instead lets his ego run riot.

Mr Gibbons—Mr Deputy Speaker, I raise a point of order on relevance. The member is straying from the text of these particular bills. He has either brought the wrong speech in or is deliberately getting away from the topic. I urge you to bring him back to the text of the bills.

The DEPUTY SPEAKER (Hon. BC Scott)—This is a wide-ranging debate. There has been some accommodation for people in this place over many years to broaden their

comments. I ask the member for Fadden to make sure he continues his speech in the context of the bills before the House.

Mr ROBERT—Thank you, Mr Deputy Speaker. The government has no modelling, no analysis and no research on \$10.4 billion worth of expenditure. They are asking this nation to take them on trust. I am simply pointing out why you cannot trust this Treasurer and this Prime Minister. This Treasurer changes his mind daily. On Wednesday three weeks ago he indicated that a deposit tax would be compulsory over \$1 million. The next day he changed his mind and Friday he changed it again. We have a PM that unconditionally guarantees deposits without any modelling, research or analysis, causing 13 of the 20 top cash and property management trusts to freeze redemptions. That has left something like 200,000 Australians without access to their money. And the member for Oxley has the hide, the audacity and the blatant effrontery to walk into this House and say that all Australians are happy with the unconditional guarantee and that even those who it does not affect are happy! Perhaps the member for Oxley should speak to the 200,000 Australians who have redemptions frozen and ask whether they are happy. We have a Treasurer who changed his mind three times regarding covered or naked sells. The trouble with his policy position caused the stock market to delay opening by an hour as the position was worked out. If this is the basis upon which we are called to trust the Prime Minister and Treasurer, forgive me if I do not share that trust.

Labor have always contended that one-off payments are somehow evil, yet here they are spending \$8.7 billion on one-off cash payments. Let's look at their history. Minister Macklin said in 2004 that her No. 1 concern about the baby bonus was that it was being paid as a lump sum. The member for Sydney said in 2007 that the baby bonus should have been paid fortnightly to take out the jackpot effect. The Treasurer called the Howard government's one-off child payment in 2004 shovelling out cash as an election bribe and said that the lump sum was irresponsible. In 2004 the current Treasurer said that the baby bonus being paid as a lump sum represented bad social policy. On the ABC's *Insiders* on 27 June 2004 the now Treasurer made Labor's disdain for one-off payments clear:

BARRIE CASSIDY: You have a problem clearly with these family allowances and the maternity payments being paid out in a lump sum?

WAYNE SWAN: We certainly do. It's simply dishonest and irresponsible for the Federal Government to be making lump-sum payments.

I can only assume the Treasurer has had something of an epiphany with respect to lump sum payments. Then there is the more infamous example of the Treasurer denying the Howard government's family lump sums were being paid, even as they were going into bank accounts. According to Mark Latham's diary, the now Treasurer was asked how Labor would explain its desire to abolish the payment. His infamous response was simply, 'Just say that it's not real money.' Why not give him a red nose, a funny wig and a funny hat while we are at it! This government is out of its depth. It is drowning and it has shown in the lead-up to the bill through its bank guarantee and the Mid-Year Economic and Fiscal Outlook that it is clearly not up to the job.

Let us focus on this bank guarantee to get a clear view of the moribund decision-making process of this government. It was announced mid-year that it would introduce a government guarantee to cover deposits up to \$20,000. On Friday, 10 October, the coalition called on the Rudd government to increase that guarantee to a minimum of \$100,000 in response to reports of deposits being moved from second-tier banks, building societies and credit unions to the big four banks. Not to be outdone, though, on 12 October our Prime Minister announced the introduction of an uncapped guarantee for all deposits in Australian banks, building societies and credit unions and in Australian subsidiaries of foreign banks and for wholesale term funding.

The Prime Minister said he had sought the advice of our financial regulators. However, through detailed questioning we later found out the Prime Minister had in fact not received direct advice from the regulator responsible for Australia's banking system, the Governor of the Reserve Bank. During question time the Prime Minister got it out that the Governor of the Reserve Bank and the head of APRA were not even in the room when the decision was made.

Clearly, this decision has created turmoil within the Australian financial system. Tens of thousands of Australians have had billions of dollars frozen in savings and investment funds, and funds have flooded into the major four banks, straining the market for commercial funding. Major providers of credit to car retailers, such as GE, have withdrawn from the Australian market due to problems accessing commercial funding. The Chief Executive of the Motor Traders Association of New South Wales has said that 40 per cent of all car dealers may go to the wall by Christmas with 30,000 jobs lost if this government does not take action to support the market. Westpac CEO Gail Kelly has called on the government to place a cap of \$100,000 on deposit guarantee.

If we look to the Mid-Year Economic and Fiscal Outlook, the coalition has been calling on the government to release current economic forecasts for more than a month. The Treasurer released the Mid-Year Economic and Fiscal Outlook, the MYEFO, on the day of the United States election. Why would you release the MYEFO on the day of the US election? I look at the member for Eden-Monaro. Why would a government do that? For one reason and for one reason only—to hide it from the Australian people because the evidence of the government's bungled handling of the economy was so clear to be seen by all. MYEFO revealed there has been a dramatic turnaround in the figures that this government inherited when it came to office in November. At that time all the economic indicators were heading in the right direction, courtesy of the coalition legacy. But now they are heading in the wrong direction, courtesy of the management, leadership and lack of confidence generation of the Rudd government.

The MYEFO has reduced the surplus to a little over \$5 billion whereas many commentators and big bankers, as reported in the media, believe the budget may well be in deficit now. Considering the smoke and mirrors in the budget and in the MYEFO, it is fairly hard to disagree. The budget in May for the first time included second round effects, adding an extra \$2 billion of income as a second round effect of income due to immigration. If that immigration does not come off, the second round of income will not either. The tax on alcopops will not deliver the targets as, clearly, young people are changing to harder spirits.

The capital gains receipts and company tax receipts will be substantially less. This is backed up by the most recent National Australia Bank index of business confidence, which shows that confidence has hit a new low of negative 29 after a record fall of 21 points in October. The monthly survey has found trading conditions and profits were down in the month and employers are laying off staff. NAB's chief economist, Alan Oster, says that forward orders are at 1991 levels—and 1991, as we all know, was that great Labor recession that the member for Solomon knows was the Labor recession 'we had to have'. NAB's chief economist went on to say:

Forward orders has a long history of being a really good indicator of where we're going forward and they were at levels that were really surprising ...

He says the survey's readings point to more sharp slowing in the economy. He said:

The mind set very much is they're scared there's a recession and when they look at their forward orders they see very sharp deteriorations and that makes them feel even more nervous.

The MYEFO also for the first time changed the way that growth is calculated. As the Secretary of the Treasury said an hour and a half ago at the Press Club, for the first time in living memory they changed the way they take into account potential interest rate cuts. The MYEFO states on page 29:

Interest rates are expected to decline broadly in line with market expectations. This is a departure from the usual assumption of unchanged interest rates ...

So this led to the government showing a growth forecast of two per cent, yet the Reserve Bank is saying 1.5 per cent. And the National Australia Bank has not changed its economic forecasts and is still predicting the economy to expand by only 1.25 per cent next year. Furthermore, the Treasurer told Sky News:

There is a difference in terms of the Reserve Bank and the Treasury forecasts because the Treasury forecast does take into account the loosening of monetary policy.

The Rudd Labor government has got to level with the Australian people. It has to stop changing the boundaries and the smoke and mirrors of budgets and MYEFO forecasts. It has to level with the Australian people with its assumptions, with its modelling and with how it is basing its figures. The Australian people deserve to know exactly how the government is reaching and arriving at its decisions, and they deserve to know the direction this government is taking rather than knee-jerk decisions being made on the spur of the moment.