



2009 Federal Budget
Appropriation Bills 1, 2, 3

25 May 2009

Sharon Grierson MP

Ms GRIERSON (Newcastle) (6.11 pm)—I am very pleased to speak on Appropriation Bill (No. 1) 2009-2010 and related bills, which support the second budget of the Rudd Labor government. The 2009 budget was a positive, responsible and appropriate budget for the future of Australia, given the current global financial crisis. I must put on record my respect for the Treasurer, Wayne Swan, for the hard work that has gone into the planning and the execution of what is one of the most important budgets for generations. Let me also state my admiration for the Minister for Finance and Deregulation, Lindsay Tanner, and of course the Prime Minister, Kevin Rudd, for delivering such a responsible and responsive budget, one that significantly contributes to economic reform even though it is delivered during the most challenging economic times we have known since the Great Depression.

I would also like to thank the Assistant Treasurer, Chris Bowen, who visited my electorate last Friday to speak with business and other stakeholders on the content and impacts of the 2009 budget. This is a budget that will support the jobs of today while building the Australia of tomorrow, investing in the infrastructure to create the wealth that our nation needs to not only weather the current financial storm but to come out stronger for it.

The extent of the global financial crisis cannot be ignored. In the Howard-Costello era we saw the equity market grow at an incredible pace, with a variety of new obscure and opaque financial instruments called 'derivatives' introduced onto the American market. This was an unregulated and grossly speculative market and we are now all paying the price. The involvement of commercial banks in the derivatives market boomed in America—they joined the investment banks in promoting the trading in debt and risk. This coincided in America with the subprime mortgage lending spree and saw investors exposed to ever-growing credit risk and potential losses.

But, whilst profits rolled in, there was no international inclination for tighter regulation or for shining a light on the extent of the risk and the debt being accumulated—debt that was never affordable or even repayable. In fact, the then Treasurer, Peter Costello, encouraged Australians to put all their excess cash into

superannuation, which of course was heavily weighted toward equity market investment.

To their detriment, they did—borrowing against their mortgages, taking out loans and salary sacrificing to build their super fund investment. Corporate executive remuneration skyrocketed even when the cracks began to appear in what had become a globalised practice. Toxic products were traded over and over again, especially in the form of credit default swaps, trading the risk of default from one institution to another. Finally, with the crash of the subprime mortgage market in 2008, the derivatives market imploded. Taxpayer funded bailouts and guarantees swept the world, but, with credit frozen and investment funding dried up, with debt now unrecoverable, economies around the world quickly slipped toward recession and depression.

So let us not forget what led us to this financial crisis: the promotion of market economics. The market is always good and government intervention is always bad, so they thought—read, 'Greed triumphs over common sense and collective good exercised through elected and representative governments,' or, as the Prime Minister so aptly described, the folly of unfettered neoliberalism so slavishly espoused by the coalition opposition throughout their time in government, which they adhere to today. The International Monetary Fund World Economic Outlook statement in April 2009 describes the US as the epicentre of the crisis and details the impact on economies around the world. Their data projects Australia as having only one year, 2009, where real GDP will contract, predicting a return to positive growth in 2010 but experiencing unemployment growth peaking at 7.8 per cent in 2010, significantly below the projection of an average of 9.2 for advanced economies.

In April our unemployment rate was 5½ per cent. Europe's rate was 8.9 per cent; the US, 8.9 per cent; France, 8.8 per cent; Germany, 7.6 per cent; Canada, eight per cent; the UK, 6.6 per cent; and Spain, 18 per cent. Those figures represent quite an achievement by the Rudd Labor government. So, whilst Australia has not been able to escape the global financial crisis, the Rudd government, through its financial stimulus packages and this budget, has met it head on, reducing its impacts upon the people of Australia and protecting the quality of life we all appreciate in Australia. Already, before this budget was brought down, Australia was placed in a strong position to face the challenges of the global financial crisis. The Rudd Labor government's stimulus packages of December 2008 and February of this year provided much needed support to the Australian economy and won international praise for their implementation. One IMF spokesperson stated that if 'the Rudd government hadn't responded early with stimulus packages last year and this year, the world would probably be experiencing a depression right now, not a recession.'

So now to the details of the 2009 budget. There were many big-ticket items—important ones. The budget contained \$22 billion in total infrastructure spending to offset the lack of investment by the previous Howard- Costello government, to compensate for the lack of investment from the private sector and to enrich the lives of all Australians into the future. This included \$3.4 billion for roads, \$4.6 billion for metro rail and \$389 million for ports and freight infrastructure. It also committed

\$4½ billion on new clean energy initiatives; \$3.2 billion to modernise hospitals and improve cancer facilities; \$2½ billion over five years for hospital and health workforce reform; an extra \$64.98 a fortnight for single pensioners and \$20.28 for couples; \$731 million over four years to phase in paid parental leave, a landmark decision and one we all celebrate on this side of the House; an increase in the Medicare levy surcharge, to encourage private health insurance and means testing for the Medicare rebate so that all Australians make a contribution; an extra \$150 million to the ABC over three years; and tax cuts that were delivered as promised.

Significantly for members of the Joint Committee of Public Accounts and Audit, which I chair, this budget gave due recognition to our report into the impact of the efficiency dividend on small agencies, *Size does matter*, and removed the two per cent efficiency dividend. Through funding allocations it also recognised the difficulties being experienced by some particular agencies—the ANAO, the ABS and CSIRO particularly. We do accept the economic challenges of the time, but we encourage Finance to continue to implement the recommendations of our report.

All in all this is a conscientious budget that will deliver for the working families of Australia. It will provide greater support for the age pensioners of Australia as well. And it will give invaluable assistance to the students of Australia, from kindergarten all the way through to postgraduate. I am pleased to say that the budget also delivered for the people of my city, Newcastle, and for the Hunter region, specifically allocating \$35 million for the Hunter Medical Research Institute over four years and an extra \$3.6 million to various projects at the RAAF Williamstown. It also funded important upgrading of weather radars at numerous Bureau of Meteorology weather stations within my electorate, a measure that I know will be particularly welcomed by our keen fishermen in the region. At the regional level the budget allocated \$1½ billion for the Hunter F3 link— or the Hunter Expressway, as it will now be known —and \$5½ million for Tocal College's Rural VET Infrastructure project.

These projects will all, in their own way, sustain employment and help to maintain the Newcastle economy through enhancement to our services, the diversification of our economy and the support of important infrastructure. On top of the more than \$1.1 billion that has already been spent in my electorate since the Rudd Labor government took power, these projects are further recognition of the input and contribution our city makes to the nation. The \$1½ billion for the long-awaited F3 link between Seahampton and Branxton, near my electorate of Newcastle, will relieve pressure on the roads in my electorate. The link road will be a 39.5-kilometre-long dual carriageway freeway with two lanes in each direction, running generally north-west from the F3 at the Newcastle Link Road interchange to the Belford Bends Deviation on the New England Highway north of Branxton. The road will allow traffic to bypass the Maitland area—one of the fastest growing regions in Australia—and will significantly reduce travelling times between Newcastle and Sydney.

After years of delays and neglect from the Howard government this incredibly important development for the people of the Hunter will finally come to fruition under the Labor Party. I congratulate my colleague the Minister for Defence, Joel Fitzgibbon, for his strong advocacy and his insistence on due process. Undertaken with the support of the Rudd government, a Lower Hunter transport needs study found the new road will deliver \$1.3 billion in economic benefits. We look forward to those benefits flowing to support our economic future. I would also take this opportunity to congratulate the people of Newcastle.

We have gained tremendous dividends from the Rudd government stimulus packages and from the 2009 budget. But a key factor in this has been the successful diversification of our economy. I can only feel for my Illawarra colleagues, who struggle still with that challenge. Historically a centre for heavy industry, Newcastle has established itself as a hub for innovation and research, knowledge based manufacturing, collaborative and investment friendly business sectors and a first-class service sector operating across many fields. By building a strong skills base, complemented by sound social and economic infrastructure, Newcastle is reaping the benefits of a multidisciplinary, diversified economy. In particular our movement toward clean energy research, innovation and business services, supported by the CSIRO Energy Transformed Flagship and energy division, by the Rudd government's National Solar Institute and by the Clean Energy Innovation Centre, all located in Newcastle, we will continue to attract more industry and more investment into Newcastle and the Hunter.

I note that the two stimulus packages have seen spending in Newcastle thus far of over \$86 million. I would like to elaborate on that. In the first stimulus package last year, individual payments exceeding \$42 million were received. Although that has been described as a cash splash by some in the House, I have to say that when I read about these single age pensioners, age pension couples, disability support pensioners, veteran service pensioners and carer payments you and I know that we are talking about some of the most vulnerable people in our communities. Those cash payments were very much welcomed and were certainly needed in my electorate.

In the second stimulus package earlier this year—and that money is continuing to roll into electorates around Australia—the Building the Education Revolution has seen almost \$19 million spent towards infrastructure. Community infrastructure on other projects exceeds \$10 million, with \$8.5 million going to the museum redevelopment project in the CBD. It is very much needed in these times. Public, community and Defence housing spending has thus far exceeded \$5 million.

And spending on roads has thus far exceeded \$9 million. Just a measure like the insulation and the solar hot water rebates has delivered \$291,000 to the electorate. People in my electorate are taking up those measures with great enthusiasm. We have seen over \$44 million in infrastructure stimulus spending in my electorate, and I look forward to the benefits of more spending in my electorate.

But the budget has not been just good news. There have been some tough decisions taken to pave the way back to surplus when the economic recovery from recession emerges. These measures include the following: the longstanding 30 per cent private health insurance rebate will be reduced for those earning more than \$75,000 for singles and much higher for couples; tax breaks on salary sacrificing into superannuation will be scaled back; the eligibility age for the age pension will rise to 67; tougher income testing for pensions; means-testing of the health insurance rebate; the introduction of less generous arrangements for family payments and superannuation; the rationalisation of student income support programs; and the introduction of safety net measures to drive down specialist fees for important and common procedures.

Naturally, there have been concerns from some in our electorates about those measures, but all of those measures are aimed at reducing future spending and getting the budget back to surplus, as well as achieving fairness and assisting those Australians most in need.

The budget forecast tells us that the economy will shrink overall. Unemployment will hit 8.5 per cent by mid-2011 and debt will rise significantly, as we have heard. As the Treasurer has stated: Now, of course we will have to take hard decisions, hard decisions to support jobs, hard decisions to make sure we put that long term investment in place and to make the Budget sustainable over the long term.

With the global recession wiping more than \$200 billion from Australian government tax revenues, we have had to deliver a deficit budget with significant debt projections. With the private sector unable to access credit, with commodity prices falling and earnings reduced, it falls to government to invest in the economy to avoid the full brunt of the global financial crisis. Net debt is forecast to peak at 13.8 per cent of GDP in 2013-14. But Australia's debt level is the lowest of equivalent economies in the world, with net debt of 80 per cent of GDP projected for advanced economies in 2014. The UK are facing a 22 per cent debt level, Canada 60 per cent, the United States 71 per cent and Japan 196 per cent of GDP. These are serious times and they require serious financial decisions. We have all heard the opposition talking up our debt and talking down our economy, and we have all heard that the sky is falling, but they have no solutions.

It is important to realise that through this spending— 70 per cent of which is going towards infrastructure —future generations will have in place first-class schools and universities; major investments in our public health system; the advantage of significant training and reskilling opportunities; roads, rail, port infrastructure to support trade, export and commerce; and investments in first-class research and innovation to create solutions for the future. That is a wonderful legacy for future generations.

This is a budget that builds the future of Australia. There is \$22 billion in infrastructure spending, combined with \$52.4 billion of economic stimulus packages, that will all help to push Australia through the GFC. And it will work. But you do not need to take my word for that. According to a CommSec briefing

given by Craig James—the Chief Equities Economist of the Commonwealth Bank—in my electorate of Newcastle this month, apart from six economies that will experience growth, Australia will experience the third lowest fall in GDP out of 52 countries. Let me share their forecast with you. They say that we will have a small fall in economic growth in 2009 but that we will see growth in 2010 of between two and 2½ per cent. That will be, of course, the beginning of a much better time. They say that inflation will be between two and 2½ per cent on average this year, rising to 2½ per cent to 2.75 per cent on average in 2010. Unemployment is projected by CommSec to be seven per cent by the end of this year, with 6½ per cent by the end of 2010. The cash rate benefiting everyone at the moment, they say, will rise from 2.75 to perhaps three per cent at the end of 2009, rising to 3.25 per cent at the end of 2010. The share market will be at 4,000 at the end of this year and will rise to 4,300. The Australian dollar—and I think they are just about spot on—will move from 75c to 77c this year.

I am very pleased to share other people's views of the economic projections for this country. Just remember, though, that the only one talking down the Australian economy and its management is Malcolm Turnbull and the members of his coalition opposite. I would like to end my contribution to this debate by quoting the Minister for Finance and Deregulation, Lindsay Tanner, in a recent interview with Tony Jones on *Lateline*:

If we were to take Malcolm Turnbull's approach, you would see a further contraction of the economy, thousands more jobs lost, thousands more businesses going broke. What we have to do is to sustain activity through short term spending which our stimulus package involves, through investment in infrastructure, and longer term investment to improve productivity which is also central to the budget, and that means that we have to live with that debt. But we've got a strategy to get out of it, medium term, and we'll follow that. Of course, we will, and the Australian economy will be much stronger for it.