



Senate Opposition proves unwilling to invest in 'Rudd Bank'

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A 61-DAY inquiry has failed to resolve Senate bickering over the \$30 billion "Rudd Bank" proposal to shore up the commercial property sector.

In a setback to Labor's policy agenda, a report by the Senate Economics Committee, tabled yesterday, confirms that the Government faces an uphill task to secure approval for its Australian Business Investment Partnership.

Coalition senators said the bill could do more harm than good and should be rejected as a "panicked response" to the recession.

The Greens and South Australian independent senator Nick Xenophon also raised concerns. The Greens, who have been lukewarm about the proposal, foreshadowed amendments to cap the pay of the partnership's private-sector directors and increase the voting rights of the Commonwealth.

But Government senators gave unqualified endorsement to the legislation. They rejected criticisms about potential conflicts of interest and negative impact of the Rudd Bank on industry competition.

Government senators argued that it would be risky for the Senate to reject the proposal given that full ramifications of the financial crisis were, as yet, unknown.

"It may be that ABIP will not be needed, and, indeed, the committee hopes this will be the case," yesterday's report from Government senators said.

"However, it is possible that global financial conditions will worsen, or their impact on the Australian economy become more deleterious. It is therefore prudent to have measures in place to ameliorate such threats."

The Government unveiled its Rudd Bank proposal in response to concerns that foreign banks — which provide substantial funding to the commercial property sector

— may pull out of Australia.

The Government would run the scheme in partnership with the four big banks, which used the inquiry to endorse the proposal and reject criticism from some analysts and smaller lenders.

Former National Australia Bank executive Ahmed Fahour has been named chief executive.

While the industry lobbied the Opposition to support the proposal, the inquiry's deputy chairman, Liberal senator Alan Eggleston, said the bill should be scrapped, as there was no evidence foreign banks were withdrawing.

He said the Coalition was concerned that the investment scheme would be exempted from competition laws — thereby creating "the potential for an abuse-of-market power and cartel-like behaviour".

"The real purpose of Rudd Bank is unclear and I'm calling on the Prime Minister to come clean about his real objectives," he said.