



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE

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**APPROPRIATION (NATION BUILDING
AND JOBS) BILL (NO. 1) 2008-2009**

**APPROPRIATION (NATION BUILDING
AND JOBS) BILL (NO. 2) 2008-2009**

**HOUSEHOLD STIMULUS
PACKAGE BILL 2009**

**TAX BONUS FOR WORKING
AUSTRALIANS BILL 2009**

**TAX BONUS FOR WORKING
AUSTRALIANS (CONSEQUENTIAL
AMENDMENTS) BILL 2009**

**COMMONWEALTH INSCRIBED
STOCK AMENDMENT BILL 2009**

Second Reading

SPEECH

Thursday, 5 February 2009

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SPEECH

Date Thursday, 5 February 2009
Page 71
Questioner
Speaker Eggleston, Sen Alan

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Senator EGGLESTON (Western Australia) (3.49 pm)—The world faces an unprecedented economic crisis, perhaps even greater than that of 1929. What began with the subprime mortgage scandal has now been internationalised and has undermined the economies of many countries around the world. Over 200 banks have collapsed, including some of the biggest and most prestigious in the world. It had been thought that Australia would be immune to this crisis because of the strength of mineral exports in our economy. However, it now seems now that most of our partner countries who buy our minerals are in recession, including South Korea, Taiwan and Japan, and we now hear that the Chinese economy is slowing.

While the consensus view seems to be that we in Australia will be relatively better off than those in many other parts of the world, Australia is facing growing unemployment as industry slows down, particularly in New South Wales and Victoria. I suppose, to give them their due, the Rudd government have responded to the world economic crisis quickly, but the question is whether their response has been focused or effective. The pre-Christmas package was designed to stimulate retail spending, which it did to some extent. However, much of the money given to individuals has been saved, put back into mortgages, sent overseas to expats who will spend none of it in Australia or, sadly, wasted on alcohol, as we hear has happened in the Kimberley. The Rudd government's prediction was that the package would create 75,000 jobs, but there is no evidence that any jobs were created, let alone 75,000.

The rationale behind the dramatic \$42 billion package we are examining today is not clear. I believe the Rudd government has an obligation to the Australian people and to this parliament to provide details of the Treasury advice which prompted this unprecedented package—unprecedented in size and unprecedented in the urgency with which the government wishes to put it through.

From first principles, one would have thought that the objective of any stimulus package should be to create new jobs, reduce unemployment and ensure that money is spent on projects which will provide lasting benefits and ongoing employment opportunities for the Australian people. The question which has to be asked here today is: does the Rudd government

package meet those objectives? Unfortunately, the answer is no, it does not. Of the \$42 billion total cost, only \$890 million—less than \$1 billion—is to be spent on regional and local government infrastructure. That sum is supposed to cover regional roads and black spots and to install railway boom gates—not exactly a big infrastructure project, even if worthy in itself. There is then a \$6.6 billion allocation to increase the stock of public and defence housing by building 20,000 new homes, which will be a great boost to the construction industry and no doubt create some employment, but there are no great projects or proposals for nation building which will create ongoing jobs in the remainder of the package. There are no Snowy Mountains schemes. There is no plan to build a national grid of six-lane highways to connect the capitals of this country. There are no plans to build a high-speed rail network between Canberra, Sydney and Melbourne.

In short, as I said, there are no great and visionary infrastructure projects which would leave a lasting legacy to this nation and create employment. Instead, we are given a \$42 billion salad of minor measures. Some of these measures are useful, such as the \$3.9 billion to provide free insulation to houses and solar hot water system rebates. But how many ongoing jobs will those particular proposals create? The answer, of course, is very few. After the Great Depression of 1929 and the election of President Roosevelt, the New Deal committed large amounts of funds to infrastructure projects such as the Hoover Dam, which successfully created employment and helped the great United States economy recover. This package does not match that kind of approach in any way.

We are told that the future of the world economy is uncertain. It is anticipated that the unemployment rate in Australia will reach seven per cent in 2009-10 and that Australia's growth will slow to just one per cent in 2008-09 and reach only 0.75 per cent in 2009-10. In these circumstances, it is correct and proper for the federal government to be introducing an economic stimulus package. However, I repeat: this feeble package put forward by the Rudd government is not going to do much to provide ongoing stimulation to the Australian economy; nor is it going to provide sufficient ongoing jobs for our citizens to ensure that unemployment is kept at low levels. Instead, this package is a jumble of fairly minor and in some cases

tokenistic gestures, the lasting legacy of which will be the creation of a huge budget deficit which will be a burden on future generations of Australians. It reeks of a panicked reaction.

Surely the Rudd government could have taken a more considered approach, with a smaller package and a greater focus on the need to provide funding for projects which would create much-needed jobs to head off the projected growth of unemployment to seven per cent. But, sadly, the record of ALP governments in doing that sort of thing is not good. From Whitlam in the 1970s, with the Khemlani affair, to Keating and Hawke in the 1980s and 1990s, who ran up a record \$96 billion federal government deficit, Labor governments have not had much of a record in stimulating the economy and creating employment. Why should we have expected the Rudd government to have been any different? Of course, they are not.

Let us consider the Rudd government's record so far. Less than 15 months since their election, the government have taken Australia from having a fiscal position which was the envy of most countries in the world, with a strong surplus on top of money set aside for the future, to being faced with four consecutive budget deficits projected to total almost \$120 billion. The Rudd government also put to this parliament only yesterday that it be allowed to take the Australian people \$200 billion into deficit. I am sure that while most people would be quite happy to receive their \$950, many of them would have no idea that the deficit that money has contributed to will leave every single Australian with a debt of \$9,500 for a very long time. This debt will be the legacy of the Rudd government to the people of Australia in the future, when it must ultimately be paid back, with interest, through either more government cuts or higher taxes.

Compare that legacy with the legacy of the Howard government. It left Australia with one of the highest standards of living in the world, with a government budget strongly in surplus, with one of the best financial sectors in the world and with a record of growth which was the envy of the world—to the extent that the OECD said that Australia under the Howard government had one of the best managed economies in the world.

My final point on the Rudd government's record so far is that we are being told that all this new money will create more than 90,000 jobs, yet there is no evidence at all to support this. That is not surprising, considering that we are yet to see any evidence that the last stimulus package created even one of the 75,000 jobs that it was claimed it would create.

In conclusion, all I can say is that this proposal does not address the very real need for the federal

government to provide stimulus to the Australian economy, nor does it do anything to protect the jobs that so many Australians trustingly put into the hands of the Rudd government at the last election. This package is a terrible indictment of the incompetence of the Rudd government and their approach to dealing with the real problems that we will face in the future.