

22 February 2008

## PRIVATE MEMBERS' BUSINESS

### Interest Rates

**Mr BRADBURY (Lindsay) (11.09 a.m.)**—I move:

That the House:

- (1) notes:
  - (a) the recent increases in interest rates;
  - (b) the impact that rising interest rates are having on families, particularly in western Sydney; and
  - (c) the Reserve Bank of Australia's warnings in its latest Statement on Monetary Policy of the risks to the Australian economy of continued inflation; and
- (2) supports the Government's five-point plan to fight inflation.

I rise to give some public recognition in this House of the pain and the suffering that many working families throughout this country are now feeling as a result of recent increases in interest rates. As members of the House would be aware, at its February meeting the Reserve Bank took the decision to increase the official cash rate by 0.25 per cent, which took the cash rate to seven per cent. This, of course, represents the 11th consecutive increase in interest rates.

Most disturbing about this decision was one of the comments of the Reserve Bank which was described in the minutes that they have released recording the events of that meeting. I must take this opportunity to acknowledge that this is the first time that the minutes of the Reserve Bank's meeting have been published in this way, which I think is a significant move towards making those decisions, which impact on so many individuals and families throughout our community, much more transparent. In those minutes, of most concern to the working families of my electorate would be the comment that reads:

The debate focused on whether the change in the cash rate should be 25 or 50 basis points.

Apart from the increase that we have recently seen of 25 basis points, what we now have knowledge of is that the Reserve Bank were actively considering increasing the official cash rate by 50 basis points. I might begin by saying I am glad that they did not do that, but I think there is also a very stern warning to us all, and particularly to many of the families in my electorate, of what that may indicate in terms of what the future position of the bank may be.

The key issue that is driving the continued increase in interest rates is inflation. There is no question about that. If you look at both the minutes and the RBA's statement on monetary policy, it is clear that underlying inflation is now running well and truly outside of the Reserve Bank's preferred band of between two and three per cent. In fact, it is now running at a rate of about 3.6 per cent. In underlying terms, this reflects the high-inflation legacy that has been left by the former Howard government.

I wish to reflect upon some of the detail of how these interest rate increases have been affecting people in my electorate, the electorate of Lindsay. I wish to make the specific point that, whilst mortgage holders right around this country have been impacted by these increases in interest rates, in particular places such as Western Sydney and the electorate of Lindsay have been more adversely affected by those increases than many others. This is a fact that the Reserve Bank itself acknowledged in its financial stability review back in March 2007. On that occasion the bank reflected on the fact that the overall picture for the nation was looking good but went on to say:

Areas of western Sydney, in particular, look to have been adversely affected by the fall in residential property prices, with a disproportionate number of households in this area taking out loans with high loan-to-valuation and debt-servicing ratios near the peak of the house price boom. Partly reflecting this, the arrears rate and the number of personal administrations has increased by more in New South Wales than in the other states ...

That was true when the Reserve Bank issued that statement back in March 2007 and it remains the case. The other point of considerable concern emerging from the minutes of the bank's last meeting goes to the following quote. The bank said in its recent statement:

... the risk of inflation remaining uncomfortably high for some time is considerable. Absent a further shift in economic risks to the downside, therefore, monetary policy is likely to need to be tighter in the period ahead.

The impact of this on working families in my electorate has been extreme. Throughout the course of the election campaign—from July, shortly after I first became preselected as a candidate, right through to the election itself—I doorknocked some 23,000 households in my electorate. There were a number of issues of concern to people, and principally their concerns about Work Choices were expressed to me in the course of the discussions that ensued. But one of the other significant issues was the impact of interest rates, in particular the impact of interest rates against the background of the increasing cost of living. In an outer suburban electorate such as Lindsay, many working families rely upon several motor vehicles in order to go about their business each day, so the high cost of petrol has had a particularly severe impact on the household budget. In addition to that, with an electorate of a fairly low median age in terms of our population, we have a number of young families that have their children in child care, and the increases that we have seen in the cost of child care have been dramatic and well and truly above the overall rate of inflation across the rest of the economy. And of course members of this place are well aware of the increase that we have experienced in the price of groceries over that period as well.

All of this builds to form a picture of many families that are under mortgage stress and also rental stress. I just acknowledge the fact that, in 2006, 33.5 per cent of the households in my electorate of Lindsay were suffering mortgage stress. That is an increase from 19.5 per cent back in 2001, which accounts for a 111.8 per cent increase. That gives you some indication of the extent to which the pressures on working families in my electorate have increased considerably over that period. This was a fact that seemed to be lost on members of the former government. The former member for Bennelong—and I acknowledge the presence of the current member for Bennelong in the chamber—as we all recall, said that working families in Australia had never been better off. This is one of those sentiments for which I was not able to find one supporter throughout my electorate in the course of my campaign between when I was preselected and November 2007. So it is further evidence of how out of touch the former member for Bennelong, the former Prime Minister, was. But it was also symptomatic of the views more broadly

throughout the then government.

This is just further evidence of the high-inflation legacy that has been left behind. That legacy is built on two pillars. It is built on the first pillar, which is complacency. The second pillar is denial. In the first instance, we see that the complacency is best given expression in the words of the member for Higgins, the former Treasurer, who said, as far back as 28 July 1999, there is 'no life left in the inflation dragon'. Well, it seemed to have puffed a few more breaths and has now become a fighting force that this nation needs to contend with. More recently, on 26 July 2007, the member for Higgins said they had inflation now 'right where we want it'. I am not exactly sure where that is but it is certainly not within the Reserve Bank of Australia's preferred band of two to three per cent.

On the issue of denial: the denial upon which this government's inflation legacy is built continues in the words of the member for Wentworth, who said:

Wayne Swan is trying to create a myth, a fairytale about economic history.

Then there was this, and I read from a report in the Australian Financial Review on 9 February this year:

Asked if inflation was out of the target band, Mr Turnbull on Friday said it was not.

So much for 'fairytale'! The story that I tell today is not a fairytale; it is the nightmare that residents of my electorate, working families, are living with. Let's not look to the words of the member for Wentworth, let's not look to the words of the member for Higgins. Let's look to the words of a respected economist, Mr Barry Hughes, as reported in the Australian a few days ago. He said:

They—

referring to the Rudd Labor government—

have been dealt a much tougher hand than either—

John—

Howard or—

Bob—

Hawke got in 1983.

We have a five-point plan to tackle inflation. We also have a plan to make switching banks more of an option.