

2 September 2008

ADJOURNMENT

Interest Rates

Mr BRADBURY (Lindsay) (8.35 p.m.) — I rise to take note of the Reserve Bank of Australia's decision today in relation to the official cash rate. The decision of the Reserve Bank means that the official cash rate has been cut by 25 basis points—or a quarter of a per cent. I wish to acknowledge that the impact of this decision will be very much welcomed in electorates such as mine, where many families have been doing it very tough as a result of the cost pressures on the family budget. I note, however, that the statement by the Reserve Bank says:

Inflation in Australia has been high over the past year in an environment of limited spare capacity ...

The issue of limited spare capacity—or the capacity constraints that our economy has been facing—is not a new proposition. It is something that has plagued this economy now for a number of years. If we go back and trawl through the various documents released by the Reserve Bank over the last decade, we will find over 20 warnings issued in relation to these capacity constraints—warnings that relate to chronic skills shortages, warnings that relate to a failure to invest in productivity and the key infrastructure that this nation requires. That inaction—that failure to invest in infrastructure which we saw over the last decade or so—is something that the nation has been paying a price for.

Upon coming into government, this government inherited an economy with inflation at a 16-year high. In that challenging domestic economic context we have also had to confront the fact that there has been an international oil shock. Along with that oil shock we have seen an international credit crisis. These two factors are but a symptom of some of the broader global challenges that we face, not just here in this country but globally. Of course, in electorates such as mine, we are feeling the effects of those crises right down to the kitchen table.

This government has a very clear and committed economic policy addressed towards resolving and addressing this issue. In the budget that was handed down earlier this year, we set out a program that will deliver a budget surplus of \$22 billion. Unfortunately, those on the other side have seen fit to try and block some of the key elements of that budget. In doing so, they are only continuing to do what they did when last in government, and that is to continue to put more pressure on inflation and more pressure on interest rates. But we will continue to fight to keep that pressure off inflation so that hopefully in the future the Reserve Bank can continue to put downward pressure on interest rates. Over the last decade we have seen over 10 increases in interest rates under the previous government. For the average family with the average mortgage, those 10 increases in interest rates have meant an increase in the costs to the family of somewhere in the vicinity of \$400 a month. That has had a serious impact on many families and, as a result, they have been doing it tough and will welcome this cut in the official cash rate, which I note that the banks have indicated they will pass on.

Coming back to the issue of capacity constraints, what we have seen, in the failure of those opposite to do the hard yards in government, is a neglect when it comes to investment in key areas of infrastructure.



The budget that we handed down earlier this year set out some key principles and identified some key funds that will go a long way towards addressing these infrastructure deficiencies—these capacity constraints that the Reserve Bank keeps talking about: \$26 billion set out in AusLink II to build the roads and rail infrastructure we need, \$20 billion in the Building Australia Fund, \$15 billion in our Education Investment Fund, \$11 billion in the Health and Hospitals Fund and \$5 billion in the National Broadband Network, a network that under the previous government had lagged so far behind the rest of the world. These are the essential elements of this government's plan to start nation building again, to do what people have been crying out for for a long time and to invest in the productive capacity of this country.