

25 February 2009

APPROPRIATION BILL (NO. 3) 2008-2009, APPROPRIATION BILL (NO. 4) 2008-2009

Second Reading

Mr BRADBURY (Lindsay) (10:43 AM) —It gives me great pleasure to join the debate after the member for Lowe. I listened to his comments with great interest and in particular the comments he made in relation to trade policy. I wish to take this opportunity to acknowledge and take note of his great contribution in the role that he previously served in as the parliamentary secretary in that area. I know that he has been for many years now and will continue to be a very strong advocate for the people of Lowe. I first met the member for Lowe when he was campaigning for the seat in 1998.

Mr Murphy —I think you were very active in that campaign.

Mr BRADBURY —I did assist, and it was a great pleasure to do so. I know that those efforts have been repaid to all of those people who assisted the member for Lowe, with his outstanding service to the people of Lowe and the people of Australia through this parliament.

It gives me great pleasure to contribute to this debate and I wish to make a few observations in relation to the government's approach over the last 12 months in confronting what is without question one of the greatest challenges that the international economy has ever faced. It began with the subprime crisis. We saw those toxic loans, for those assets that were not worth as much as the loans that were taken out against them. We saw that trickle through various parts of the American economy and it was not long before we started to see the impacts of those difficulties flow through to other parts of the world economy.

We have seen some massive slowdowns in growth figures from some of our key trading partners. We have seen slowdowns of a magnitude that we have not witnessed in the global economy—certainly not in my lifetime and not in the lifetime of most of us in this parliament. I think the gravity of these times was brought to our attention with the collapse of Lehman Brothers in September last year. These very difficult times have called for strong and decisive leadership, and that has become a mantra that has been spoken about and repeated in this place and outside this place. Strong and decisive leadership is what was required, and I think that on any measure what this government has demonstrated over the last 12 months is strong and decisive leadership.

There are many instances of that. Perhaps the first decision that was taken, which was such a significant decision in so many respects, was the government's decision to guarantee bank deposits. That decision

involved guaranteeing retail deposits up to \$1 million, providing much-needed assurance to mums and dads—deposit holders all around this country—to ensure that they did not fear that their funds were under threat and to head off what might have led to some uncertainty and potentially, in the worst case scenario, a run on the banks. It can be said that we had not approached that dangerous territory where a run on the banks was a real threat, but, in a sense, the minute people start to ask questions about whether or not their money is safe is the time for action, and I believe that the government's action in that regard has been vindicated.

That was a significant decision not just for retail deposits up to \$1 million but, at the same time, in relation to the wholesale funding that banks secure. Providing a guarantee in that space has essentially allowed our banks to access funds and finance at a time when banks right across the world are finding it increasingly difficult to do so. Without access to that finance, particularly in the highly globalised and debt-dependent economy that we have developed into, the ordinary wheels of commerce could not continue to turn. But, as a result of providing that guarantee, we are seeing credit being made available to people and businesses throughout this economy.

Those decisions that were taken then were not made without controversy. I have to say that I found it disappointing that, throughout the debate that occurred on the guarantees, the opposition consistently took the duplicitous approach of, on the one hand, saying that they supported the package but, on the other hand, wanting at every opportunity to whinge, snipe and carp about specific aspects of the package. We all recall that Malcolm Turnbull had said he wanted a cap at \$100,000. The government came out very decisively and said there would be an unlimited guarantee, and in effect that is what we have when you combine the two guarantees as they were ultimately implemented. I would have thought that that provided even more decisive action, worthy of the support of the opposition, but we did not receive that support.

In the kerfuffle that occurred at the time, I remember in particular that the Australian ran a number of articles that related to the comments attributed to officers of the Reserve Bank. There was much speculation about whether or not the Reserve Bank had in fact supported the actions that were being taken, so I was very pleased to have the opportunity just last Friday, through the House of Representatives Standing Committee on Economics, to ask some questions of the Reserve Bank governor, Mr Stevens. I targeted some of those questions to this issue of the bank guarantee, and I was exceedingly delighted that his response was overwhelming in its support of the actions that government had taken in relation to the guarantees. In his evidence before that committee he made the point that in his observation as a citizen of the community, turning on the television and listening to the radio, he had started to pick up a little bit of comment and talk out there in the community from people who were concerned about whether or not their funds were safe and whether there was any uncertainty over the funds that they had placed on deposit in their banks.

The governor said that clearly in that context early and decisive action was required. I do not want to quote from his evidence at length, but I encourage members to look at the transcript because it makes for very interesting reading. The governor was referring to the guarantee when he said, 'I think that has been very effective.' His support of the guarantee is much more glowing than that but I do not want to waste the House's time by going into too much detail on the comments he made. I implore all members to look at the transcript—it makes for interesting reading and is a very strong endorsement of the action that was taken by the government at the time.

We still hear from those on the other side—though not as much these days, I must say—criticism of the actions the government took in relation to the bank guarantee. But we see that on the one hand the guarantee has provided reassurance to deposit holders and on the other hand it has freed up those arteries of credit. Wholesale funding for banks has become more attainable and as a result of that they have been able to continue to lend throughout the economy, which has been a good thing. This is not

some esoteric debate: if banks do not have the ability to access finance they cannot lend money. They cannot lend money to you and they cannot lend money to me. They cannot lend money to the small businesses that employ such a significant part of the workforce in my local economy in the Lindsay electorate. I am sure that is reflected right across the country—indeed, I know it to be the case.

The bank guarantee delivered on both those objectives: certainty for deposit holders and freeing up access to finance for banks. That was a significant decision that had been taken but the government recognised that the scale of the challenge ahead was such that more needed to be done. We will all recall that on numerous occasions the Prime Minister has said, 'This is what we are doing but we stand ready to act.' Not only has the government stood ready to act but it has acted consistently.

The next step in the process was to provide some stimulus to the economy. These days it is pejoratively referred to as the 'cash splash'. There are various other names, but 'cash splash' is the one that we hear most. I remind those members on the other side that the so-called cash splash was that particular package that delivered the payments that pensioners across this country received before Christmas. We remember how all of a sudden—after having done nothing for pensioners whilst in government over more than a decade—the opposition, with obvious political opportunism attached to it, saw a great opportunity to run a campaign on how they would champion the cause of the low-income earner—of the pensioner, in that case. So they ran this minicampaign, but do not forget that in the first instance the then shadow spokesperson for that particular area had indicated that she was running a petition to increase the pension, until she got slapped down very quickly—on radio, as I recall—by the then shadow Treasurer, the member for Wentworth, who of course is now the Leader of the Opposition.

The shadow minister was out there saying she was going to start a petition to take up the plight of pensioners, and the now Leader of the Opposition slapped her down very quickly and we did not hear any more about the pension. Then, all of a sudden, the then opposition leader, Dr Nelson, the member for Bradfield—I know it gets a little bit confusing to follow, but stick with me—said that they would be introducing a bill into parliament to increase the pension. A big political argument occurred over whether or not pensioners deserved that money.

In the end, as part of the stimulus package—the Economic Security Strategy implemented before Christmas—we saw a significant bonus being paid to pensioners. I have to say that the response I have received in my electorate has been uniformly positive—people thought that was much needed and a very positive step. If we move forward a couple of months, all of a sudden we see that whenever they are talking about that package it is not about the pensioners—who have not only already received their money but also in many cases already spent it, for the good of the economy—but just some vague, nebulous notion of a cash splash. They were not suggesting to pensioners that it was merely a cash splash back when we were delivering some additional disposable income to people who were doing it tough at the time.

Much has been said in this place and outside of it by those on the other side about whether or not that package was effective. Well, it has been effective. You can look at the data or the commentary of those who are in the know. Looking at the data, the seasonally adjusted estimate for the retail trade figures which were released by the ABS indicate that there was a 3.8 per cent increase in December 2008. That followed a 0.4 per cent increase in November and a one per cent increase in October. December 2008 represents the largest monthly seasonally adjusted percentage increase since August 2000, following the introduction of a GST. So what we have seen is a very significant increase in retail trade. That is the first objective measure.

What else have we seen? We have seen an increase in housing finance approvals. I note that the ABS statistics show that there was a 6.4 per cent increase in December in home loan approvals. Most importantly, loans for new dwellings skyrocketed 15.2 per cent in that month. The significance of that is

that that is in direct response to the government's initiatives in relation to first home owners grants. By doubling the grant—and tripling the grant for those with newly constructed properties—we have seen a stimulus into the economy led in large part by first home buyers. We saw yesterday in figures released by the Minister for Housing that 29,489 first home buyers entered the property market by the end of January. So we have seen a significant influx of first home buyers.

I was discussing this increase with a local real estate agent on the weekend, Mr Terry Heidtmann, who I think I have had opportunity to mention in this place before. He is the current citizen of the year in Penrith. Mr Heidtmann told me that in January he had one of the best months that he has ever had, and he indicated that that was predominantly in the first home owners segment of the market. To those on the other side who say that these measures are not working, I say: go back to your communities and talk to the people whose lives are being affected in a very real way by this global economic slowdown and whose lives are being affected in a positive way by the impact of these actions and decisions that government has taken.

On all of these measures we see evidence that what occurred before Christmas has been working. On top of that, we had the grants to local governments, the Regional and Local Community Infrastructure Program. That is a significant investment from federal government in local councils of a scale that we have not seen for many years. As someone with a background in local government, I can only say that for many years there was considerable frustration throughout the local government sector with the lack of interest from the federal government. Not only do we now have a government that is showing interest, but they are prepared to put their hands in their pocket and they see the great opportunity that local government presents for investing in local communities—generating and delivering local economic activity and the jobs that will flow from that. In my local government area of Penrith, the only council area within my electoral boundaries, \$1.7 million was the allocation that the council received. The Independent Mayor of Penrith, Councillor Jim Aitken, has been very glowing in his praise of this package, as has the entire council, from all political persuasions.

We have seen measures that have worked and will have an impact on the ground. Since that we have seen the stimulus package, and once again there has been much criticism of that coming from those on the other side. They said they would not quibble when the Economic Security Strategy was introduced. But then they decided to oppose the package. The hairy-chestedness finally prevailed. This time they were actually going to vote for what they believed in. On the earlier occasions they said, 'We support it and we're going to vote with it, but we will take every opportunity to criticise it.' At least this time they had the courage of their convictions. I think it was a terrible decision for them to take. It was not in the best interests of people throughout this country, but at least they had the courage of their convictions in blocking it.

In blocking the stimulus package, which ultimately went through with the support of the Greens and the minor parties—the Independents in the Senate—they were also exposed for not having an alternative plan. We heard from the former shadow Treasurer that the best strategy was to wait and see. How many more jobs would have to be lost whilst we employ this wait-and-see approach? The only thing that the Australian people can be clear about is that, had a Liberal government, a coalition government been at the helm rather than the Rudd Labor government, then you would not have seen the bank guarantee, you would not have seen the stimulus package that came through before Christmas, you would not have seen the spending on local government and you would not have seen the stimulus package that has just been passed through this parliament. What you would have seen was more waiting and seeing. People in communities such as the one that I represent know that we cannot afford to sit back and wait. Urgent and very significant, very bold action was needed. That is what we have seen through the Rudd government.

We have heard from those on the other side that the stimulus package is too much, even though

pitching it at around two per cent of GDP is what the IMF suggests to be an appropriate amount. But we hear that it is too much. When the Reserve Bank governor was asked about this, he said, 'It does not strike me as obvious that somehow it is grossly excessive.' And when pressed on the issue by the current shadow Treasurer whether or not it might be better to hold a little more ammunition in the weapon and not fire off too early, by asking, 'Isn't it better for us just to hold back a bit; not spend as much now so that we've got a little bit more ammunition in the gun?' the Reserve Bank governor replied:

You can make that argument, but I think you can also make the argument that, the longer you wait, the more ammunition you will end up having to use. These things can get a sort of self-fulfilling momentum behind them and we may or may not be able to head that off. But I think you should try ...

So, we have heard there from the Reserve Bank governor. Let us not leave the ammunition in the gun. We need to be firing to create economic activity, to protect and to create jobs, and that is what this government is intent on doing.

I conclude by saying that we have heard a lot about debt and deficit, but the one thing that you will not hear from those on the other side is that, if they were on the treasury bench, they would have no proposal and no plan that would allow this country to be governed without going into debt and deficit at this point in time. Tax revenues amounting to \$115 billion have been lost. We confront that challenge. We will do our best to get the economy moving again and to get those revenues back up.