



Broadband will boost productivity

Lindsay Tanner

Labor's new economic platform to be considered at our national conference in April is unashamedly pro-innovation, pro-investment and pro-market. We regard improving productivity, growing the economy and entrenching prosperity as our central mission.

That's why Treasurer Peter Costello's hysterical attack on Labor's broadband policy is so misplaced.

Labor's proposal involves setting aside some of the Telstra shares held by the Future Fund, and investing up to \$2.7 billion in a national broadband network. At November 2008 that's less than a third of the Telstra shares held in the fund and probably about 3 or 4 per cent of the total Future Fund holdings. Finance Minister Nick Minchin has conceded that the Future Fund is well ahead of target and may not even need budget surpluses after 2009.

The national broadband network will earn revenue and generate profits to be returned to the Future Fund. It will generate higher productivity, higher growth and larger budget surpluses able to be deposited in the Future Fund. Treasury secretary Ken Henry argued in 2004 that active investment in infrastructure is better than passive investment in the sharemarket in tackling the budgetary challenges of population ageing. The Future Fund will still comfortably achieve its objective of fully funding public service superannuation liabilities by 2020.

While Labor supported the creation of the Future Fund, we did not support the decision to further privatise Telstra, which led to the fund acquiring such a large slab of Telstra shares. The Future Fund legislation exempts these shares from the fund's general governance arrangements, and empowers the

government to instruct the fund in its dealings with the shares.

Labor's plan involves abandoning our long-held opposition to selling any more of Telstra. That's been a very difficult decision to take, but we accept there's no case for maintaining a 17 per cent government stake. Once the national broadband network is built, the issues that drove our opposition to Telstra privatisation — services in regional Australia and open competition — will largely migrate to the new network.

That network will be built by a public-private partnership, which Labor accepts as a crucial option in infrastructure financing. Labor's new economic platform will reflect that.

By putting its obsession with privatisation ahead of reforming the market structure in telecommunications, the Howard government has created a stalemate. Australia is lagging much of the industrialised world in broadband as a result. Investing some of the Telstra shares in the Future Fund to break this gridlock is crucial to our economic future. Labor's plan to build a universal high-speed broadband network will have no effect on our ability to cover superannuation liabilities. It will have a major effect on the productivity of Australian businesses and the learning opportunities of Australian students.

The real economic responsibility issue here is not Labor's proposal to use Future Fund resources for infrastructure investment. It's the Howard government's failure to equip Australian businesses with the 21st century infrastructure they need to succeed in a highly competitive world.

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