

**Appropriation Bill (No. 3) 2006-2007**  
**Appropriation Bill (No. 4) 2006-2007**  
**Second Reading**

[Mr TANNER](#) (Melbourne) (6.52 p.m.)—[Appropriation Bill \(No. 3\) 2006-2007](#) and [Appropriation Bill \(No. 4\) 2006-2007](#) before the parliament this evening continue a now well-entrenched pattern on the part of the Howard government for ever-growing wasteful spending. Over the past few years we have seen the government engage in a giant spending spree that has essentially been built on the enormous boost to Australia's national income that has derived from the minerals boom. The Mid-Year Economic and Fiscal Outlook papers published a month or two ago indicated that there is no respite in sight from the ever-growing largess that the government is spraying around, wastefully in many instances. Certainly the appropriations legislation this evening follows the same pattern.

The government is still squandering these dividends of prosperity. It is not investing for Australia's long-term future and, in particular, it is misusing its authority as the government of the nation to spend money in a variety of ways that are designed purely to win political support for the government, to reward its supporters, and to calm the nerves of particular interest groups but not to serve the longer-term interests of the nation. It is true to say that all governments to varying degrees do these kinds of things. No government is pure. I certainly would not assert that former Labor governments have been pure in that regard. However, the Howard government has set new world records in the misuse of public money for political purposes, leaving whatever transgressions we may accuse former Labor governments of very much in the shade in terms of significance and scale.

We have seen a pattern going all the way back to 1996 but gradually gathering steam in the last few years. It began with things like the Natural Heritage Trust and moved on to the Centenary of Federation Fund, then to Networking the Nation and more recently to Regional Partnerships. The pattern is the same. The pattern is that there is essentially no wider strategic purpose for the spending, no clear set of objectives for the nation and no clear set of guidelines or principles against which subsequent results can be measured. It is a pattern of frittering away the very large sums of money involved on small-scale projects or consultants' reports or activities. There is no proper mechanism for assessing on a cost-benefit basis whether or not these individual projects, consultants' reports or activities are worth while and, ultimately, at the conclusion of the funding, it is effectively impossible to determine what degree of national benefit was actually derived from this expenditure.

The famous Auditor-General's inquiry into the Networking the Nation program, which was worth roughly half a billion dollars, said it all. The Auditor-General found that it was impossible to determine whether or not any public benefit had transpired because there were no benchmarks, no guidelines and no wider strategic set of objectives against which the outcomes from the program could be measured.

In the 2006 budget this pattern was repeated. The 2006 budget was overflowing with political handouts. We saw \$15 million handed over to the Melbourne Cricket Club—an organisation that has historically not been short of a quid—for a sports museum. We saw \$53 million committed to an advertising campaign to tell Australians about the benefits of private health insurance. One wonders why the appellation 'private' is applied to the sector when the government feels obliged to pick up its advertising bills! And we saw a vast array

of small grants, many of them made in the financial year that was about to end. In other words, the government had determined that it had enough of a surplus in the kitty to be able to spray a proportion of it around in lots of little grants. Some of them were in such enormously high priorities as financing a tour to India of Sir Donald Bradman memorabilia! There is a long list of these kinds of programs that the government has been financing.

There is a particularly instructive table in the 2006 budget papers which I have drawn to the House's attention before. From memory it is Budget Paper No. 2, page 14, but do not hold me to that. It outlines parameter and policy changes—revenue and expenditure changes—compared with the previous year's Mid-Year Economic and Fiscal Outlook estimates, which of course came out in the preceding December. In other words, it outlines the six-month change in the estimate of government revenue and expenditure compared since the end of 2005. For the three financial years including 2006-07 and thereafter, the government found in the budget that it was going to be \$41 billion better off than it had previously estimated only six months earlier. But, amazingly enough, it decided that it was going to increase its effective spending, be it through tax cuts or additional expenditure, by \$42 billion. So it effectively used all of the additional revenue that was available to it as a result of increased national income from the minerals boom and more.

The most scandalous thing about this was that only about 1.3 per cent of this additional bonanza that was available to the government went into investment in the skills of our people. Only about 1.3 per cent of that \$41 billion-odd was added to our national effort to educate our people, to improve the skills of our people, to give our kids a better opportunity in life and to ensure that we have a better base for improvements in productivity in Australia.

When we look at the more recent budget documents to see where the government has been heading in more recent times, the picture is the same. The end of 2006 Mid-Year Economic and Fiscal Outlook papers indicate that for the same three years government spending estimates have increased by \$8.6 billion. When compared with where they were only six months or so previously, you see they have added another \$8.6 billion to spending. It is true that a very substantial portion of that additional spending relates to things that are critically important, such as drought relief and various additions to the PBS such as Herceptin. But what is missing of course are cuts in spending in other areas. Rather than reducing spending in areas of lower priority and rather than acquiring some degree of sobriety and restraint with respect to the way that the government deals with public funds and the way it hands these moneys out to various groups in the community, the government has simply added on that new spending, however crucial. There have been no significant cuts in spending in other areas.

Since the Mid-Year Economic and Fiscal Outlook papers, we have seen the government's much-touted \$10 billion program for the Murray-Darling Basin. We know that the inception of this program did not involve the departments of treasury and finance. We know that the financial statement that was associated with the announcement was a single page. There have probably been few occasions in political history when so much money has been committed with such a small amount of backup material. We know that there is no explanation of the timing of any expenditure over the purported 10-year period. We know that there is no information about whether any of this money is going to be disbursed in loans rather than grants. We know it is unclear precisely which rivers and tributaries will be involved. We know it is unclear whether town water supplies in

the Murray-Darling Basin will be taken over by Canberra. We know it is unclear whether the planning functions that are now performed by the states and local government with regard to the farm use of water will be taken over by the federal government. All of these things are left hanging, yet there is a notional commitment of \$10 billion of taxpayers' money to this purported program.

What I find most extraordinary is that if you look at the alleged span of the program, 10 years, what in effect is happening is that the Prime Minister is making financial commitments that come into play when he will be 77 years old. I doubt that even he believes he will still be in the Prime Minister's position then. If these moneys are spent wisely on the rehabilitation of the great Murray-Darling system, returning it to more robust environmental health, that will be to the good. But, given the track record of the Howard government of squandering vast sums of public money on pork-barrelling—paying off its National Party mates and trying to win votes in marginal seats through things like Networking the Nation, Regional Partnerships and the Centenary of Federation Fund—it is hard to have any confidence. In particular, given that the financial statement associated with this commitment is a mere one page it is hard to have any confidence that good outcomes will emerge. It is particularly hard to have any confidence that the taxpayer will get value for money. With \$10 billion, the odds are that, no matter how badly squandered some of the money is, there will be some good outcomes, but what we will not get are efficient outcomes; what we will not get is good value for money for Australian taxpayers.

We have seen a similar pattern with the recent superannuation announcement. The government's tally of the take for this commitment has already blown out by a billion dollars and the government has consistently refused to disaggregate the financial analysis to provide genuine details of the impact of the superannuation changes that it is making. Again we have the same pattern: huge commitments of money and minimal information and minimal capacity on the part of the general community to assess whether this is a sensible use of taxpayers' money.

The OECD estimates that the change in the terms of trade that Australia has recently experienced has brought somewhere in the vicinity of an extra \$17 billion a year to the budget bottom line. That is close to double the magnitude of the budget surplus. Although the Howard government—the Treasurer and the Prime Minister, in particular—regularly pat themselves on the back for running strong surpluses, this information indicates that they are doing so in circumstances where it would be extremely difficult to run a deficit. To run a deficit in the current financial circumstances that this nation faces would require profligacy of truly herculean proportions. So much for the notion that somehow this is a government of great financial restraint! When the government has money raining down on it, when the massive increase in mineral prices and the massive increase in demand in China, India and elsewhere is putting enormous amounts of money into government coffers—\$17 billion, according to the OECD, every year—it would be very difficult for it to not be running a surplus.

The ANZ Bank's Chief Economist, Saul Eslake, estimates that between 2002-03 and 2009-10 the impact of the minerals boom will add a total of roughly \$283 billion in additional revenue to the government's coffers. That is a huge sum of money over that period of seven or eight financial years. He concludes that very little of long-term significance for the Australian economy has emerged from this. In other words, the bulk of the vast largesse that wider external circumstances have been raining down on the government has been squandered. The amazing thing is that the Howard government's key figures—the Prime Minister, the Treasurer and the finance minister—actually think that it is tough. They think that

they are a really tough, fiscally conservative government. Those tired, toothless, mangy old labradors that are guarding the public purse think they are rottweilers. They are not, and there are a couple of simple illustrations that will demonstrate that.

It is interesting that, in an opinion piece in the *Australian* a week or so ago, Senator Minchin said that federal government spending as a proportion of GDP is actually lower than it was in the mid 1980s. He claimed that this was somehow a demonstration of great fiscal restraint and rectitude. It is interesting that he chose the mid 1980s. I think the reason is pretty simple. When you look at the statistics for government spending as a percentage of GDP, what you see is that in the latter part of the mid 1980s, around 1986, post the banana republic incident, the Hawke government seriously cut into public expenditure in Australia and got it back on track so that in 1989-90 federal government spending as a proportion of GDP was 22.4 per cent. When you do the adjustment for the GST package and the fact that the financial assistance grants are no longer being paid to the states, and get a like-for-like comparison, the latest figure for the completed financial year of 2005-06 is 24 per cent. The importance of this comparison is that we are at roughly a comparable stage of the economic cycle now as we were in the late 1980s. There are a number of similarities with the wider economic circumstances, except that the Howard government was not then in the middle of a minerals boom and the terms of trade circumstances were much adverse to Australia.

Federal government spending is now 1½ per cent higher as a proportion of GDP than it was under Bob Hawke in the late eighties. What does that translate to in dollars? Percentages are fine but they are a bit abstract. I will tell you what it translates into in dollars, Mr Deputy Speaker. If government spending as a proportion of GDP were at the same level as it was under Bob Hawke in 1989-90, it would be \$16 billion lower than it currently is—this from a government that purports to be a government of great fiscal restraint and rectitude, small government and minimal intervention in the economy.

We only have to ask a simple rhetorical question to emphasise this point: when was the last razor gang? When was the last time we saw a serious attempt to cut into waste, to cut into spending, to cut into programs, to cut into administration? The answer is: it was a very long time ago. In fact, it was at the outset of the Howard government. There were just under 140,000 public servants when the Howard government came to office. In its first year in office it hacked into that number pretty savagely—it got it down to about 110,000—many of them people who should not have been removed. Now the total number of people on the Public Service payroll in this country is almost back to the level it was when the Howard government took office.

But that is not all, because approximately 25 per cent of those nearly 140,000 people—it is in the mid to high 130,000s—are at the executive level, the senior management level. The proportion 10 years or so ago was 13 per cent. What has happened is the government have expanded the Public Service back out to where it was but with one important caveat, and that is that there are fewer workers, fewer people actually delivering services on the ground, and a lot more chiefs, a lot more fat cats, a lot more people at the top end earning very high salaries.

But there is another difference, and that is that the amount of money being expended by the government on consultants has ballooned enormously. It is now over \$360 million a year. In most cases they are consultants doing work that previously was done by public servants. What is happening is that departments

are able to double dip. They are getting more and more money whenever there is a need for some kind of new program, new administrative activity, new infrastructure, new IT system or whatever. Rather than internal efficiencies and belt-tightening financing these changes, departments and agencies just put their hands out and the government hands over the money.

You will see a number of these kinds of things even in the Mid-Year Economic and Fiscal Outlook, including \$12 million for the establishment of a thing called Digital Australia to somehow make sense out of the convoluted mess that is the government's digital television policy, when there is a substantial staff and resources in the department that should be able to do that work. The list goes on: additional resources to the tax office, additional resources to ASIC, additional resources for electronic authentication of form filling—all the kinds of things that should be financed from existing resources. A Future Fund advisory unit—why can't the Department of Finance and Administration's existing resources cover the cost of that? There is an endless list where the government is simply handing out more money for its own purposes. So not only is it giving more money to its own supporters to win political support; it has taken its eye off the ball in its own backyard as well. It is allowing more and more fat to creep into the public sector and less and less valuable output.

It is interesting that in a submission to a Senate inquiry recently the government's former head of the budget division of the Department of Finance and Administration—in effect the second most important person in the department of finance—Professor Stephen Bartos, argued that departments are now effectively able to double dip. That is because they are funded for depreciation—they get a regular annual appropriation relating to depreciation—but they are also coming back to the central government seeking more money for particular new projects like IT projects. He cites as an example the customs department IT project which we all know so well. In effect, the government is giving them two lots of money for the same thing: depreciation on an annual basis and new grants or new appropriations from time to time when specific projects come up.

So the claim by the Minister for Finance and Administration that this government is tough, fiscally rigorous and financially responsible is simply laughable. The real tragedy for the people of this country is the waste that is occurring and the misallocation of priorities. The figure of 24 per cent of GDP is by itself not particularly objectionable. I have no particular objection to that figure per se; the question is what the money is being used for. That is the real tragedy. While the government cuts back on investment in our universities, while training languishes, while infrastructure languishes, while the drivers of long-term prosperity, the things that will ultimately determine how well our children live, are neglected, money is spent on consultants, on government advertising—which is now running at 2½ times the highest rate that Labor ever achieved—and on paying off National Party mates and other assorted odds and sods in marginal seats for political purposes.

Even when the government do finally try to do something about a key issue of long-term significance to the future of this country—and, to be fair, they do from time to time—it is an extraordinary coincidence: it always seems to be in an election year. It always seems to be about six months from the polls when suddenly they discover water, for example, and suddenly there is a loose \$10 billion lying around to be waved about for a great headline and a great TV shot. Suddenly they have discovered aged care. The Hogan report was not last week; it was not last month; I do not think it was even last year. But suddenly they have

discovered aged care. We will have a close look at some of the initiatives—and our response is essentially positive: good, more resources for aged care—but why is it that they have to wait until six months before an election before they suddenly discover that an issue is important and we need to put resources into it? Why is it that so often it is on the back of a serviette after a long lunch that somebody scribbles out a grand \$10 billion plan for water or something like that? Why is it that we do not put serious effort, serious capability, into solving the nation's real long-term problems rather than doing it in a knee-jerk political way when the threat of electoral retribution emerges?

These scarce taxpayers' dollars are crucial, and while they are raining on the government through the minerals boom it is more important than ever that they be used properly. Our agenda is very clear and very transparent: we want to spend more on the drivers of long-term prosperity for our nation. We want to invest more in our people, more in our skills and more in our infrastructure—more in the things that will set Australia up for long-term prosperity. Where is that money going to come from? It is going to come from waste; it is going to come from misallocation of priorities; it is going to come from misuse of government money under the Howard government.

Why are these issues so important? They are important because productivity has stalled. Labour productivity in particular is a major problem. Compared with American productivity we have gone backwards. We were at about 86 per cent compared with US productivity in 1998; we are now down to below 80 per cent, and over the last year or two in some areas productivity has gone backwards. Yet the government claims that the Australian economy is zooming along because of Work Choices. Work Choices was supposed to deliver great improvements in productivity in the workplace. The government is happy to claim the unemployment statistics which are largely driven by the vast amounts of money being pushed into the Australian economy from the minerals boom. It is happy to claim good unemployment numbers as being the product of its Work Choices legislation. You do not hear members of the government talk about productivity and Work Choices, though. You do not hear them say, 'Oh, isn't it wonderful, productivity in Australia is improving and Work Choices is the reason.' The simple explanation for that is that productivity is not improving in Australia; it is going backwards—it is seriously inferior to where it was in the 1990s. They cannot have it both ways. The reality is we have a major problem in productivity. It is driven by longer term considerations, such as the lack of investment in skills, and Work Choices, instead of being a solution to the problem, is actually exacerbating it. And the inability of the government to seriously resolve Australia's appalling problem with broadband, for example, is just one of a number of public policy areas where it has failed Australians in this regard.

Labor's commitment is to address the real problems that the Australian economy faces, such as the fact that we are the only developed nation where public expenditure on education has been going backwards in the last decade. We have a huge problem with plummeting enrolments in science and maths subjects that is already having a major detrimental effect on our wider economy and will further damage our economy. We spend 0.1 per cent of GDP on early childhood education compared with the OECD average of 0.5 per cent. In so many areas our economic infrastructure is declining and crumbling.

The Howard government's response to these problems is pretty straightforward. First, there is the blame game: it is always the fault of the state governments. In fact the previous speaker, on the grievance debate, was saying precisely that. Second, there are the electoral gimmicks, the pork-barrelling and

the grand plans that are written on the back of a serviette after a long lunch. Third, there are the strategic electoral announcements—the big-spending announcements that we have got used to seeing in the election budget and the pre-election period from the Howard government after it had ignored the issue for many years.

Labor is going to take a consistent, considered, serious and sober approach to dealing with the big issues that face this nation. We are not going to be announcing gimmicks. We will not be into stunts. We will just have considered policies that are there to tackle the things that ultimately will determine how well Australians live and what kinds of opportunities our children will have in the future—things like the quality of our early childhood education, the standard of our universities and the opportunities for people to get good technical education and skills.

We are also going to tackle the creeping problem of excessive secrecy and deceit about financial information in the Howard government, something that rarely gets much media coverage but is fundamentally important to ensuring that we get good governance and good financial management in this country. So we will properly enforce the outcomes framework to ensure that money cannot just be switched around from one budget item to another. We will publish detailed forward estimates that connect between the budget papers and the portfolio budget statements so that people can actually see the detailed projections for where future government spending is going to be. We will require full reporting of special accounts, where more and more money is being salted away. We will require the establishment of a register of standing appropriations, which now cover almost 80 per cent of total government expenditure. We will require more detail in the forward estimates of tax expenditures—things like fringe benefits tax concessions and the like—so that people are able to understand the priorities of the government and why a particular tax concession exists, how much it costs and what public policy interest it serves. We will provide more detail with respect to the contingency reserve and how that is used.

We will require mandatory reporting over 40 years for new policy initiatives that are susceptible to demographic change, such as the government's superannuation package, so that the longer term financial implications of new policies can be properly examined. And we will reform the notorious Charter of Budget Honesty so that opposition parties will be able to get costings done on a confidential basis for proposed policies for a period of 12 months prior to the election—which is an arrangement that exists in other countries, such as the United Kingdom and Ireland—and they will be able to deal directly and confidentially with the heads of the two relevant departments, Treasury and Finance, rather than having to deal through the government of the day.

Put together, all of these reforms will amount to a major improvement in transparency of fiscal arrangements. Media representatives, parliamentary representatives and the general community will be able to get a much better idea of where the money is going and what is happening to it. It has been no coincidence that over the last 10 years, when the waste and the pork-barrelling and the misuse of government money for the purposes of political outcomes have been mounting, the level of disclosure of detailed financial information has been diminishing dramatically. That is because they do not want you to know. That is because they are embarrassed with where the money is going. That is because they want to cover up what they have been doing so that they do not get genuine public debate about where the money should go.

Australia's economy is, in overall terms, relatively strong. Its growth rate could be better. It is now projected to be about 2.5 per cent, and some of that decline is of course due to the drought but there are other factors as well. But, the government and indeed the wider community are getting enormous benefit from the minerals boom. And it is not just the people employed directly in the minerals sector, as the Minister for Employment and Workplace Relations seemed to suggest in question time today. The money that is coming into Australia is flowing through all sectors indirectly and it is the ultimate reason why unemployment is so low. But we need to make use of that money to invest prudently for the future, not just to have a big party now like the government is doing. We need to invest so that we will have higher growth rates and surplus budgets into the future. We will be cutting into wasteful spending so that we can finance investment for our long-term future. We need to end the complacency, the self-congratulation, the arrogance and the hubris that characterise this government's presentation of its economic management policy. I move:

That all words after "That" be omitted with a view to substituting the following words:

"whilst not declining to give the bill a second reading, the House is of the view that:

- (1) despite record high commodity prices the Government has failed to secure Australia's long term economic fundamentals and that it should be condemned for its failure to:
  - (a) stem the widening current account deficit and trade deficit;
  - (b) reverse the reduction in education and training investment;
  - (c) acknowledge the connection between climate change and human activity and tackle the serious threat climate change poses to Australia's long-term well-being;
  - (d) address critical structural weaknesses in health such as workforce shortages and rising costs;
  - (e) expand and encourage research and development to move Australian industry and exports up the value-chain; and
  - (f) address falling levels of workplace productivity; and
- (2) the Government's extreme industrial relations laws will lower wages and conditions for many workers and do nothing to enhance productivity or economic growth; and
- (3) the Government's Budget documents fail the test of transparency and accountability".

*(Time expired)*