



# **LINDSAY TANNER MP**

**Shadow Minister for Finance  
Federal Member for Melbourne**

***'Quality Government'***

**NATIONAL PRESS CLUB ADDRESS**

**8<sup>th</sup> August 2007**

**Canberra**

For further information contact Lindsay Tanner on 6277 4428 or 0419 881 282

For most of the post-war period, the primary battle between left and right in western countries has been fought around the size of government. That battle is now over. The combatants have fought each other to a standstill.

In 1979 when Margaret Thatcher was elected, the public sector accounted for 38.5 per cent of British GDP. In 1997, when the Government that exported Thatcherism to the rest of the world finally fell, the public sector accounted for, you guessed it, 38.5 per cent of GDP. It has changed little in the ensuing decade under Labour.

Federal government spending as a proportion of the Australian economy diminished under the Hawke and Keating governments. It has reduced a little further under the Howard Government, but only when compared with the recession-influenced early 1990s. When Labour presided over a buoyant economy in the late 1980s, Federal government spending was 22.4 per cent of GDP. In 2006-07, after adjusting for the Financial Assistance Grants component of the GST package, it was 24 per cent of GDP.

If John Howard were spending at the same rate as Bob Hawke at the end of the 1980s, government spending would be nearly \$17 billion lower. Even though our economy is growing strongly, the government's own 2007 Budget figures project even faster growth in government spending over the next few years. By 2009-10 it will be 0.5 per cent of GDP higher than in 2005-06. The party of small government isn't the party of small government any more. It's The Financial Review now calling John Howard "the father of big government in Canberra".

Today we all received a brutal reminder of the importance of restraint in government spending. The latest increase in interest rates doesn't only demonstrate how hollow is John Howard's claim at the last election to be "keeping interest rates at record lows". It also shows how crucial the quality of government spending is. Capacity constraints are a central element in the Australian interest rates equation. For years the Howard Government has neglected investment in skills and infrastructure, and spent wantonly on its own political needs. Those chickens are now coming home to roost.

Mr Howard's attempt to blame state governments for the interest rate increase is laughable. His advertisements are misleading, because they compare net Commonwealth debt with gross state debt. A year or two ago he was attacking the States for not investing in infrastructure. Now they're increasing their investment, he attacks them for causing interest rates hikes. Isn't it funny how when interest rates fall it's all John Howard's good work, but when they go up it's always someone else's fault?

The new theatre of battle in modern politics is the quality of government. In today's political contest between Labor and Liberal size doesn't matter, or at least it doesn't matter like it used to. Performance is what counts. There's broad consensus about the size of government, but very vigorous debate about what governments should actually be doing.

That's why Labour is committed to maintaining strong Budget surpluses and not increasing tax as a proportion of the economy. It's why we're committed to financing promises from savings. It's why we are resolute in refusing to engage in a spending contest

with Mr Howard. Our commitment to fiscal prudence isn't a politically expedient device to reassure nervous voters. It reflects what we believe. The days of big government are over. We want to improve government, not expand it.

The primary objective of Labor's fiscal policy is putting downward pressure on interest rates, both in the short term and medium term. That means the quantity and quality of spending are critical. We are absolutely committed to conservative fiscal management, because that's the rock on which good government is built.

Peter Costello's recent criticisms of John Howard as a wasteful big spender came as no surprise to me. He's right. The mining boom has drowned the government in revenue, and spending discipline has collapsed. That discipline has a funny habit of disappearing completely in election years. We remember the enormous burst of panic spending around April 2001, and the infamous Crazy John's closing down sale in the 2004 election campaign, when \$6 billion was added to government spending in half an hour. Wanton use of taxpayers' money for political purposes is now routine. Peter Costello was simply confirming the scathing observations of Treasury Secretary Ken Henry in his famous March speech, in which he said that "policy outcomes would have been far superior had our views been more influential".

Government spending on advertising and consultants has soared. Labor estimates spending on government advertising will be around \$350 million in 2006-07. Its highest level under Labour was \$85 million. Even allowing for inflation, that's a massive increase. The amount of money dedicated to promoting Workchoices is simply scandalous. The introduction of the new system is costing

taxpayers over \$1 billion, a large proportion of it devoted to propaganda. When Peter Reith introduced his new industrial relations system in 1996, it cost the taxpayers only about \$12 million more. Regardless of whether or not you support Workchoices, the amount of money spent on introducing it is impossible to justify.

Public service employment has grown much faster than overall employment since 2000. Excluding Defence, ASIO and AFP personnel, public service employment has grown by 25.3 per cent over that time. Total employment growth has been 15.1 per cent. The number of senior public servants has soared by an astonishing 44 percent. The number of ministerial staff has increased by 30 per cent since 1996.

Recently it was revealed that the leader of the National Party in the Senate, Senator Ron Boswell, has nine ministerial staff, on top of his four electorate staff as a Senator. He has no ministerial responsibilities. What do these nine people actually do?

Individual agencies seem to get more money whenever they ask for it. According to former head of the Budget Division of the Department of Finance, Stephen Bartos, agencies are double-dipping. They're getting routine annual funding for depreciation, and special new budget allocations for projects like IT upgrades. Why hasn't anyone from the Government contradicted his assertion?

The best example of the Howard Government's management of government spending is the contrast between its \$10 billion water plan, and the \$350,000 contribution to the building of a jewel

encrusted horse-drawn carriage as a private gift to the Queen. The water plan wasn't considered by Cabinet. The Queen's carriage was. Treasury and Finance weren't involved in the development of the water plan. Spending on the carriage was approved without anyone actually checking the project was genuine. John Howard's fortunate that he didn't have Cabinet approve the payment of taxpayers' money for a hoax.

The government's handling of defence acquisitions is equally profligate. It is now routine for major projects to run way over budget. The Government's own figures reveal that 28 per cent of current acquisition projects are running behind schedule. It's a rare week when there isn't a newspaper story about a Defence spending blowout.

Last week saw the most amazing example yet of the Howard Government's cavalier approach. Desperate to win votes any way he can, John Howard promised to take over the Mersey Hospital in north – west Tasmania and therefore override a rationalisation of health services by the Tasmanian Government. He's done this in education for years, providing flagpoles, chaplains and small infrastructure grants for schools while carefully avoiding taking responsibility for the performance of the school system. He's now directly overruling the decisions of the state governments that run our public hospital systems, with no wider rationale or plan. It's naked populist politics, with your money. Good government is out the window.

The Government still can't say how much this exercise will cost. It didn't have the proposal scrutinised by Treasury and Finance. The Finance Minister says "obviously my department will be involved

ultimately in the costing exercise". Hang on a minute. I thought the Department of Finance costed government commitments *before* they were made, not after. Nick Minchin clearly thinks the title before his name is Santa, not Senator.

There's a simple formula that allows you to assess any government's performance. Ask yourself to what extent its actions are driven by the national interest, electoral survival, or pandering to special interests. The last five or six years of the Howard Government don't look pretty when subjected to this test. The endless parade of handouts in National Party seats is just shameless looting of the public purse for political purposes. The bloated government advertising programs and politicians entitlements are simply cynical raids on the Treasury coffers to ensure political survival. Picking over the scars of tough priority decisions by state governments is petty opportunism, not national leadership.

So what's Labor going to do about all this? We realise that public cynicism is very high. John Howard has debased the currency of politics, and we're all tarred with the same brush.

So how do we show we'll be different? There's only one way we can. That's to commit to very strict constraints on government spending. And that's precisely what we're doing.

I've already announced a savings package worth approximately \$3 billion. Today I'm announcing with Labor's Shadow Minister for Public Administration and Accountability, Senator Penny Wong, a specific addition to that list. Under our Cleaning up Government package, we'll reverse the trend that's become entrenched under

John Howard. Individual MPs printing allowances will be cut from \$150,000 to \$100,000. Ministerial staff will be cut by 30 percent, to return to 1996 levels. Departmental liaison officers who act as de facto electorate support staff for MPs will be cut. The Government Communications Unit will be abolished. Spending on media monitoring will be cut. These cuts will save approximately \$209 million over the forward estimates period. They add to previously announced initiatives cutting back on government advertising, consultants, recruitment agencies, market research, and tax deductibility for political donations.

Labor's savings also include numerous cutbacks in spending by various government agencies, such as Invest Australia, the Australian Securities and Investments Commission, Digital Australia, the National Capital Authority, the Department of Human Services, and the Department of Employment and Workplace Relations. Instead of getting a new handout every time they ask, agencies will be expected to do more with existing resources.

Labor will also radically increase the level of transparency and disclosure of government financial information. Under John Howard, Budget accountability has become a sick joke. Individual program costs can't be identified, the Budget papers can't be linked with Portfolio Budget Statements, and the Government routinely refuses to provide important financial information.

Over the past year, the Howard Government has refused to provide details of the cost of its superannuation changes, the cost of individual programs in portfolios, the distribution of Family Tax Benefits amongst different income bands, and the formulas used to index particular government payments. Stephen Bartos' claim

about agencies double-dipping on depreciation can't be tested, because the depreciation figures aren't published. Commercial-in-confidence is routinely used to prevent public access to important information. As spending has ballooned, secrecy has become a habit.

Labour's Operation Sunlight reforms announced last year will overturn years of financial trickery and secrecy. We'll provide details of individual program costs. We'll link the Budget papers with the detailed forward estimates. We'll properly cost tax concessions. We'll reform the Budget outcomes framework to provide meaningful benchmarks against which spending initiatives can be assessed. We'll tighten the rules governing commercial-in-confidence clauses in government contracts. And we'll have Democrat Senator Andrew Murray conduct a review of all available transparency and disclosure options, to independently assess our implementation of these commitments.

Peter Costello's blown the whistle on John Howard's big-spending habits. I challenge him to open the books. Let the Australian people get a true picture of where the money's actually going. Government revenue is soaring because of the mining boom. Where's it all going? Why are our universities and TAFEs still starved of funding? Why do we have to tolerate third-rate broadband? Why can't we invest in renewable energy sources to tackle climate change? I say to John Howard and Peter Costello, let's get all the available financial information out into the open, so we can have a real debate about the quality of government in this country.

Do we want carriages for the Queen, vast propaganda programs for extreme industrial relations laws, and endless little grants in marginal National Party seats? Or do we want to seriously tackle climate change, invest in education and broadband, and rebuild our infrastructure? Let's see where the money's going, and let the Australian people decide.

Today I've written to the Minister for Finance seeking confidential access to departmental officials which is available after August 15 under the Caretaker Convention guidelines. Will the Government let them talk to me? Will it allow them to disclose what's really going on? The last time I wrote to Senator Minchin on a matter of this kind it took him nearly six months to reply, so I'm not holding my breath.

The mining boom and strong global economy are keeping Australia's economy in good shape, but its underlying health is much less robust. Productivity growth has fallen, exports are lagging, and our current account deficit is expected to hit 6 percent again. We don't know when the minerals bonanza will end, but it's clear the Howard Government's doing little to prepare Australia for the tougher challenges that lie ahead. It's worth considering one particularly disturbing aspect of this picture, our export performance. The crucial question we must address is this: what will we sell to the rest of the world in fifteen years time ?

As John Edwards pointed out last week, our exports have grown in volume by only 18 percent over the past seven years, compared with 57 per cent over the previous seven. Even measured by value our performance has been weaker in recent years, which is pretty amazing given record mineral prices.

The stars of our 1990s export success are under threat. China is moving up the manufacturing value chain, challenging our claims as an exporter of specialised niche manufactured products. Asian universities are improving, reducing the attractions of our education exports. Key tourism assets like Kakadu and the Great Barrier Reef are threatened by climate change, and tourism is hindered by infrastructure deficiencies. Agriculture is also likely to be seriously affected by climate change. Professional services exports are subject to mounting competition.

Even the stars of the mining boom will face challenges from climate change, technological change and discovery of new deposits elsewhere.

The Howard Government is happy to cruise on the back of the mining boom and global economy. Mr Howard's ministers think everything's fine, and become quite petulant when asked to explain why current opinion polls are rather negative for the Government. Perhaps they should consider the astonishing complacency and hubris in Howard's comment earlier this year that Australian working people have never been better off. Australia needs a government that will urgently address critical issues like climate change, education and broadband. And it needs a government that actually means it, not just one going through the motions to ensure its own political survival.

More than anything else, this coming election will be about the quality of government. We believe the Australian people are entitled to expect more from their government than they're getting. The Howard Government has grown tired and stale in office. It's

only remaining instinct is spending money to ensure political survival. It lost the urge to build a better, stronger Australia some time ago. It's lost touch with the interests and aspirations of working people. We don't need higher taxes and more spending. We just need more effective use of the money we draw from the economy in taxes. Less money spent on government propaganda, politicians' election expenses and pork-barrelling in marginal seats. And more spent on the things that really matter, like schools, universities, broadband and climate change. Every tax dollar the government takes from a family's bank account is a dollar that can't be spent on clothes, schoolbooks, groceries or holidays. It's a dollar that won't be directly creating jobs in the private sector. When the government takes that dollar, it's got a responsibility to ensure that it provides value for money in return. We want the Howard Government to be measured against this benchmark. And we're only too happy for the Labor alternative to be subjected to the same test.