APPROPRIATION BILL (NO. 1) 1998-99 - SECOND READING

Address by the Hon Gareth Evans QC MP, Deputy Leader of the Opposition, to the House of Representatives, Canberra, 26 May 1998.

Mr GARETH EVANS (Holt-Deputy Leader of the Opposition)(6.16 p.m.)-This is a budget, like last year's, which disappeared from the front pages of this nation's newspapers the day after its birth. But its significance should not be underestimated. It does tell us a great deal about the kind of government we now have and it does tell us a lot about what kind of Australia we would have if this government were allowed to continue in office.

The budget this year confirms and consolidates the budget strategy of the first two years of the coalition government. It shows a government which is brutal in its disregard for the unemployed and for those doing it hardest in our community. It shows a government which is contemptuous in its undermining and threatening of the interests of ordinary Australian families. It shows a government obsessive in its pursuit of small government objectives. It shows a government which is quite wrong-headed in its economic management.

In achieving the surplus which is now predicted for this year, it does so not as it could and should have done on the back of jobs and growth but rather on the backs of the unemployed, of battling Australians and of ordinary Australian families. The issue is not-with respect to the member for Paterson (Mr Bob Baldwin)-back in black, back on track, as the Treasurer (Mr Costello) would have us believe; the issue is: back in black but on whose back? It is the back of ordinary Australians that this budget has been perched on-it and its predecessors.

Moreover, the government is wrong-headed in its economic management in purporting to be doing this above all in the interests of improving national savings-a crucial thing to achieve if we are going to make a structural assault on the current account deficit. But, in fact, the government strategy here is acting against private savings. I will come back to that issue.

Finally, the budget is the product of a government which is inherently dishonest in its approach to the management of this nation. Many of the predictions in the budget are shonky in character in a way that one can only assume is deliberate. That shonkiness shows up in the key forecasts on growth, on jobs and on the current account. There is another kind of shonkiness involved in this document insofar as it is incomplete and misleading to the extent that it does not contain within its four corners the revenue measures that, we hope, are shortly going to be announced-the government's tax package-nor does it contain the election bribery expenditure measures which are no doubt part of the government's repertoire for the future.

It is not the practice to oppose appropriation bills introduced by the government of the day. No opposition does that, and we certainly will not be changing the practice. It is, however, appropriate in all the circumstances of this budget to move a second reading amendment to make clear the nature of the concern that ought to be felt about this budget and the whole budget strategy of which it is simply the third part. Accordingly, 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 notes that the Budget:

(1) does nothing to redress the pain caused to ordinary Australian families, and those doing it hardest in our community, by the impact of successive Budget cuts on health, education, job programs, aged care, child care and many other government programs and services;

(2) by seeking to achieve surplus on the basis of savage Budget cuts, rather than on growth and job creation, does nothing to give hope to the unemployed and underemployed;

(3) confirms that the Opposition's alternative Budget strategy, as originally announced in 1996, would have returned the Budget to surplus in 1998-99-on the basis of putting growth and jobs first, with much more moderate outlays reductions;

(4) lacks credibility in its growth, employment and current account deficit forecasts;

(5) confirms that Australia has a private rather than public saving problem-and the stupidity of the Coalition's promise-breaking decision in 1997 to abandon Labor's superannuation co-contribution; and

(6) is incomplete and misleading in its projections of future revenue and outlays, in that it makes no provision for election-driven new expenditures and the Government's GST and other tax proposals".

The pain that is contained in this budget and which is the subject of the first paragraph of the amendment has been amply documented by others in this debate. I will not go into this issue in any detail, but one gets a sense of the order of magnitude of the pain involved by simply looking at the size of the dollar assault in particular areas of government services. Taking into account what has been spent as well as what has been cut, we see that the net assault on outlays in education over the last three years has been $3 billion; on health, it has been $11/2 billion; and, on job programs, it has been another $11/2 billion. There has been $800 million taken from child care and $400 million in net terms taken from aged care, along with hundreds of millions of dollars in other programs across the whole spectrum of government activity. Then, of course, there has been a reduction of 79,200 in the number of people employed by the Commonwealth public sector.

Behind all those large figures are a multitude of individual hurts. As the Leader of the Opposition (Mr Beazley) said in his own budget reply last week:

. . . built on a million small deficits in the lives of ordinary people. . . . The hundred unspoken small goodbyes of ordinary people to their ordinary lives.

That is the real story of this budget and its predecessors-those deficits-the pain that has been caused to so many people.

I will give just one illustration of what is happening in practice as a result of this government's cancellation of the Commonwealth dental program to save $100 million a year. I refer to the implications of this for people in the Springvale Community Health Service in my own electorate. The waiting list in April 1996 was 3,680 people, and there was a reasonable expectation that people could be seen immediately in the case of emergencies or if there were the need for urgent treatment and would be seen within at least 12 months when non-urgent treatment was required.

By April 1997-after the program had been abandoned, when the system of co-payments was introduced as a further disincentive to use of what remaining chairs were still being funded by state programs-the waiting list was 5,812. It had blown out almost to double. In April this year, when I checked the figures just last month, the waiting list was 7,151-representing a two year and two months waiting period-blowing out by more than double what the situation was two years ago. The further reality lying behind that is that there are a great many people on the waiting list and when they are contacted each month and offered the opportunity to access the dental service only 20 per cent of them are now taking up the offer, the reason being, in the judgment of the staff at Springvale, that so many people are not now able even to pay the flat rate minimum $20 that is being demanded as a co-payment. So this is the kind of pain that is involved in this particular measure, and it is just one example of a whole spectrum of pain and problems of this kind that are being generated. The question is: was it all necessary? Did we have to have-because of the state of the economy, the state of national finances-the assault of the kind that has been represented by this series of budgets? The short answer is no. The first point to make is that the condition of Austral

ian public finance was, in fact, nothing like that which is being described by the government. We had not only among the very lowest combinations of taxing and spending in the entire OECD-with only two countries lower than us on the government spending scale and only three below us on the taxing scale-but Australia was also, at the time that this government took office, right down at the bottom end of the spectrum when it came to public debt and budget deficits-the cutting edge of this government's complaint about the condition of our national finances when they came into office. Only a couple of countries had a better record than Australia-out of the entire OECD grouping of the major industrialised countries of the world. That is best demonstrated graphically by two sets of tables which spell out, as no volume of words could, just where Australia sits on these revenue and expenditure comparison tables and public debt and public deficit comparison tables. I seek leave to incorporate those tables in Hansard .

Leave granted.

The tables read as follows- [for Tables see http://wopablue.parl.net/hansard/reps/dailys/dr260598.pdf at p3731.]

Mr GARETH EVANS-I am indebted to those concerned. These graphs bear close study, in particular the extent to which we squarely came within-before the government even began to embark on its present assault on this community's people-the Maastricht criteria of good economic housekeeping which have become part of the international economic vocabulary because they are the criteria which have been the required hurdle to be jumped by countries seeking initial entrance into the European monetary union. Australia, in terms of our respectability standard by reference to those criteria, was way under the bars in each case.

The rest of the story-about the lack of necessity for what has actually happened-needs to be told and told again. It was perfectly possible to get this country back into surplus this financial year, 1998-99, without anything like the pain that has been caused by this succession of budgets. The government went down a course of full-scale assaults on outlays programs in the way that I have described. It did so in the context of talking down the nation's finances: saying we were in a dreadful condition when we weren't, but in a way which led to a dramatic deterioration in both business and, even more importantly, consumer confidence. Spending fell away. Growth fell away. Our performance over the last two years has been one of much less fast growth than in the previous two years-the last two years of Labor government-a much slower rate of job creation and, with it, a need to embark upon further deficit slashing in order to accommodate the further blow-outs that would otherwise have occurred in that deteriorating confidence environment.

The ALP, by contrast, announced back in 1996-and I put it squarely on the record on this occasion in this debate in that year-that there was another way, another way to return to surplus within that time frame which would involve a deliberate decision to stimulate growth and jobs or at least maintain the rate and level of activity which prevailed when we were in government, and to have a much more modest-in that context-program of deficit reduction, building up from $1 billion off in the first year to a second billion dollars

in the second year and to a third billion dollars in year three.

What is fascinating about the budget papers this year is that they demonstrate, as no amount of argument from me could, the accuracy of that prediction. Very briefly, the story is this. The government are budgeting this year for a surplus of $2.7 billion. They are getting there by the impact in 1998-99 of $5.4 billion worth of net cuts. That is the effect, in 1998-99, of budget decisions that were made successively over the last three years-1996, 1997 and 1998. If you subtract that $5.4 billion worth of pain from the $2.7 billion surplus which is budgeted for, it will be obvious that you are left with a figure of minus $2.7 billion which is, equally obviously, the no policy change result that would have been the case if the government had not gone down this pain-inflicting path.

In other words, if Labor had still been in office, if there had been no policy changes since the last Labor budget, we would have been facing a deficit this year of minus $2.7 billion on the government's own figuring. That deficit could, of course-and this is a straight arithmetic conclusion-have been covered by a modest deficit reduction program of $3 billion worth of cuts taking effect this year. I am leaving out of the equation the growth dividend that would in turn have flowed from a less vigorous assault on the national economy which would have allowed the economy to grow faster, jobs to grow faster, more people to pay tax-more revenue and less social security outlays being required as a result. If you take the growth dividend into the equation as well, you are left with the conclusion that we would amply have been able to obtain exactly the same order of magnitude of surplus this year as the government has done, but done so with infinitely less pain to ordinary Australians.

Sitting suspended from 6.30 p.m. to 8.00 p.m.

Mr GARETH EVANS-Labor's credentials to deliver the kind of outcome I was referring to before the dinner break are amply demonstrated by our track record. We inherited in 1983 a budget deficit worth some $25 billion in today's monetary terms and were able, by dint of assiduous, disciplined economic management-but built on the back of jobs and growth rather than savage budget cuts-to translate that into a series of surpluses within four years.

In our last term in office we demonstrated our capacity to grow the economy at a very fast rate, both comparatively speaking internationally and in terms of Australia's previous experience, certainly a full percentage point faster than the coalition have been able to manage in their first two years in office-4.3 in our case compared with 3.2 in theirs. We were also able to generate average employment growth each year of around 2.7 per cent compared with the present 1.6 or worse, which translated into massive job creation and a significant reduction in the unemployment rate which would have produced, we genuinely believe-and the figures demonstrate it-an unemployment rate of about five per cent by the turn of the century with us sitting on about six per cent now and 150,000 more people back in work.

What story does this budget tell us about Australia's economic future? A lot of that depends on the credibility of the assumptions that lie behind the forward projections in the budget papers. Growth was projected to come back from 33/4 to three per cent this year but that, in turn, was built on a rather optimistic assumption about AMP shareholders kicking up their heels with the windfall gains that would flow from demutualisation-an assumption that may not prove to be justified. It was also based on an assumption about a fairly rapid return to normality of the situation in Asia, with the worst of the Asian economic crisis being well and truly over by the end of the forthcoming financial year-an assumption which has been roundly criticised by a great many commentators who say it is overly optimistic.

Similarly, employment growth, which lies behind the predicted unemployment rate of 7 per cent-bad though that is-at the end of next year is predicted to increase from 11/4 to 13/4 per cent, but that is at a time when GDP growth is going backwards, as is private consumption and business investment. Frankly, that is not a credible combination of

assumptions, unless you assume that productivity is rapidly falling, but the budget papers give no support for any such conclusion.

Similarly, with the current account deficit, which is an important constraint upon any government, it should be less of a constraint if we were doing something credible about private savings but the government, having broken its promise to implement Labor's superannuation co-contribution in the last budget, has created an environment where there is no hope for any major structural change in the foreseeable future so far as private savings performance is concerned, and that does throw an additional burden on the public sector when it comes to generating savings that are necessary to deal with a serious current account blow-out.

The situation is gloomy enough with the budget papers predicting a 51/4 per cent deficit average over the year, but even that estimate is perceived by many commentators to be an unduly optimistic one, not least in the light of the Reserve Bank making it clear that it believes the current account deficit will reach six per cent of GDP within a very few months.

The budget is silent, as our second reading amendment adverts to, when it comes to documenting the likely scale of the election expenditure bribes which will no doubt be part of the government's outlays repertoire in the foreseeable future. Nor, of course, does it say anything about tax proposals and GST in particular, all of which will have a significant impact on the balance of revenue and outlays in the period ahead.

The assertions which lie behind the Telstra dividend flow in the future are, again, in our judgment, not likely to be realised, with the very real prospect of any saving on public debt interest flowing from the sale of Telstra being well and truly outweighed by the loss of dividends that would otherwise be flowing from Telstra in the period ahead, representing a short-term gain to the community in terms of money available for recurrent expenditure but a very serious long-term loss.

All of these things are cause for concern, both in the way the government has acted in the past and in the way that this budget, the reasoning behind it and the measures behind it, tell it will operate in the future. It is not a budget for this or any other government to be proud of. (Time expired)

Mr DEPUTY SPEAKER (Mr Nehl)-Is the amendment seconded?

Mr McMullan-I second the amendment.