

# Labor is the party of fiscal prudence

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THE Howard Government's prolonged spending spree is showing no signs of abating. As we head into an election year, the Government is still squandering the dividends of prosperity and refusing to invest for the future. Enormous amounts are being devoted to shoring up the Government's political support. Lax fiscal scrutiny is allowing unnecessary spending to flourish. With higher interest rates and mounting private debt, Australia can't afford this any more.

In the tradition of Networking the Nation, Regional Partnerships, the National Heritage Trust and the Centenary of Federation Fund, the 2006 budget was overflowing with handouts. The Melbourne Cricket Club got \$15 million for a sports museum.

The private health insurance sector got \$53million to advertise its products. In late 2006 the Government gave \$250,000 to a private individual to help pay for a gold and jewel encrusted horse-drawn coach he was making as a gift for the Queen. Countless other organisations received handouts.

Estimates of revenue for 2006-07, 2007-08 and 2008-09 increased by more than \$41billion within six months. The Government promptly handed out \$43 billion in new spending and tax cuts.

A tiny 1.3 per cent of this dividend from the minerals boom was devoted to new investment in education and training. While the largesse was handed out to politically important constituents, the drivers of longer-term prosperity were largely ignored.

Little has changed in the ensuing nine months. New spending commitments since the 2006 budget have added more than \$8.6billion to the bottom line for 2006-07, 2007-08 and 2008-09. The estimated cost of the government superannuation package has blown out by \$1 billion before it has even started. And the giant spending commitments to win votes are being cranked up.

In late January the Government announced its big water package as part of its bid to take complete control of the Murray-Darling river system. Newspaper headlines announced a \$10 billion water plan. The financial statement attached to the announcement was a single page, with the \$10 billion spending broken down into five general categories. No information was provided about the timing of any spending or whether it would be in the form of loans or grants. Treasury and Finance were not even involved in developing the plan.

In the virtual world of media politics, none of this matters. The \$10 billion headline is everything. In the real world of rising government spending, rising interest rates and mounting debt, it matters a lot. If invested wisely, it will help our agricultural industries deal with a challenging future. If not, it will simply repeat an established pattern of vast waste and pork barrelling for the benefit of the Nationals'

supporters. The complete absence of detailed financial information about the program suggests that the prospect of another round of squandering taxpayers' money is likely. It is no secret that Labor wants to increase government spending in crucial areas such as education and training.

Unlike the Government, we recognise that the minerals boom bonanza won't last forever. Company tax receipts won't continue to provide 26 per cent of total government revenue. Overall estimates of revenue won't keep ratcheting up at every budget review. A serious assault on wasteful government spending is crucial to Australia's economic future. Finance Minister Nick Minchin may talk about the budget being "really tight", but it's drowning in fat. Government spending is still 1.5 per cent higher as a proportion of our total economy than it was at a comparable stage in the economic cycle under Bob Hawke in the late 1980s. When was the last razor gang?

Labor's savings strategy would claw back \$3billion over the budget estimates period. That's just for starters. The continuing reduction in detailed financial information makes it harder and harder to identify specific savings, but we're going to keep at it. We'll announce larger spending cuts closer to the election. Labor's savings include hundreds of millions wasted on government advertising, opinion polling and consultants. The \$208million spent on advertising in 2005-06 was almost 2 1/2 times the highest annual amount spent under Labor. And you can bet it will increase even more in an election year.

Labor also proposes savings through cutting additional funding to government departments for administrative improvements. Former head of the Department of Finance's budget division Stephen Bartos recently asserted that departments were double-dipping, getting routine funding to cover depreciation and additional funding for new equipment and systems. If bureaucrats know they will always get more money to introduce new arrangements whenever they put their hands out, what incentive have they got to introduce genuine efficiencies?

The Government's first budget made deep cuts to the public service. Since 1999, total public service numbers have increased by more than 20,000. Nearly one-quarter of our public servants are at executive level, up from only 13 per cent in 1990. And the Government spent more than \$484 million on consultancies in 2005-06, well over double the highest amount under Labor. Once these factors are taken into account, the public service is now effectively bigger than when the Howard Government took office. And all the growth has been at the top, not the workers who deliver services.

Cutting wasteful government spending is hard but it's vital. Australia needs new priorities, and fast. Do we want scarce taxpayers' dollars spent lining the pockets of Nationals' mates, expensive consultants and advertising agencies? Or do we want them invested in a better future for our kids, with higher quality child care, school, TAFE and university education?

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