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**SPEECH**

***\*\*\* CHECK AGAINST DELIVERY \*\*\****

**‘THE COALITION’S FIRST BUDGET: PAIN WITHOUT PRINCIPLE’**

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There is one thing that Joe Hockey and I agree on.

Budgets are about more than just numbers.  They are about values.

A budget tells you a lot about a government’s character. A budget tells you more starkly than any words or slogans can what a government’s priorities are, what drives it.  A first budget in particular sets the tone for a government.

Australians have seen this Government’s values on display for the last week and the verdict is clear: they don’t like them.

From constituents in the street to chief executives in airport lounges, from local shop keepers to university professors, people from all walks of life and all backgrounds have been consistent in their conversations with me since budget day: this Government’s values are not the nation’s values.  This isn’t the Government the Australian people were promised or want.

Their attacks on the social fabric, policies that punish the elderly and the unemployed, their $80 billion swingeing cuts to schools and hospitals take us to an Australia so much less than what we could be.

There are two reasons that the people of Australia are justifiably angry about this budget: the arrogance of its deceit and its overwhelming unfairness.

This budget goes way beyond broken promises. The yawning gap between the Government’s pre-election rhetoric and post-election reality has robbed the Government of its moral authority, just over six months into its term. It is a budget of broken regard for the public and their right to political accountability.  Tony Abbott told the Australian people that it is an absolute principle of democracy that governments should not and must not say one thing before an election and do another thing after the election.  Well, by his own standards, democracy has been trashed and decency along with it.

Tony Abbott pontificates that “no one said it would be easy”.  Well, actually, someone did: he did.

Tony Abbott and Joe Hockey engaged in pre-election voodoo economics, pretending they could somehow engineer a return to surplus with no new taxes, no tax increases and no spending cuts in health and education.

This pre-election rhetoric has now caught up with Tony Abbott and Joe Hockey, but it is the Australian people who are paying the price.

They talked of “adrenalin charges” to business and consumer confidence which would be caused just by the fact of their election.  When I pointed out the adverse effects on profits and dividends of their Paid Parental Leave levy, Joe Hockey told the Australian people none of that mattered because profits would be higher and business conditions improved because of his somehow innate superior economic management.

Tony Abbott spent four years telling Australians that he empathized with their pain on cost of living issues, only to decide, just 6 months later to rip away at fair age pension indexation, take away family payments where 1 child is over six and indexing petrol tax.

Shakespeare could have been thinking about this prime minister when we wrote: “His promises were, as he then was, mighty; But his performance, as he is now, nothing.”

This performance has been made even more galling to the Australian people by the refusal of the Prime Minister and Treasurer to even acknowledge that they have breached their solemn commitments. The pathetic verbal gymnastics involved in somehow constructing a story that this budget wasn’t just one big broken promise have been particularly insulting to the Australian people.  This reached its low point on the weekend with Tony Abbott blaming the Australian people for somehow mis-hearing him and assuming that when he promised no new taxes and no cuts to health and education he actually meant it.

Of course, in order to try and justify these clear breaches of commitments, Tony Abbott and Joe Hockey have devoted a lot of energy to manufacturing a budget emergency. It tells you a lot about this particular Government, that they have spent so much time and energy in demonizing the economic legacy they inherited and misleading people about the true state of the books and less time developing proper plans to grow a modern, innovative economy.  They have spent more time and energy creating an alibi for their cuts than they have planning for the future. To me, the low point in this saga actually came not in Australia, but in Switzerland.

For the Prime Minister to falsely denigrate the former Government’s record at Davos was an extraordinary thing.  I understand that he wants to play domestic politics at home, but he actually has a bigger responsibility.  Australia’s record of economic growth over the past 22 years, including through the Global Financial Crisis should be celebrated and proselytized.  For Tony Abbott to use an international forum to continue his campaign of misinformation while overseas was particularly disappointing.

The Charter of Budget Honesty makes it harder for a new Treasurer to engage in these tricks, and so Joe Hockey has gone to extraordinary lengths: in the mid-year economic and fiscal outlook making an unwarranted and unasked for grant to the Reserve Bank, changing economic parameters and assumptions to double the forecast budget deficit, adding $68 billion to it since the election,  for the base political purpose of both demonizing the record of the previous government and providing an alibi for cuts he always intended to make.

The Treasurer lectures about the need for structural savings to the budget, but he comes late to the party.  The pressures on the budget caused by a change in the post GFC mix of economic activity which have impacted on the corporate tax base, combined with the ageing of the population and rising healthcare costs do all mean that long term savings measures are required.

That’s why Labor took decisions like making changes to the private health insurance rebate, which was the fastest growing area of the federal budget.  The Liberal Party opposed us all the way.  If they had got their way, as it looked they would for a long time, the budget would be $25 billion worse off over the next ten years.

This is just one example of the structural savings Labor built into the budget, usually with little or no support from the then Opposition. When we introduced a fairly modest reform, requiring people with salary-sacrifice vehicles to provide just some evidence that the car in question is used for work purposes, the then Shadow Treasurer engaged in a frenzied campaign of populist opposition.  When we made changes to the baby bonus, he declared it akin to China’s one child policy, in a riff of banality and shrillness breathtaking even for him.

The fact is we delivered $180 billion in savings when were in government. I am not going to use my speech to run through all of these measures in detail, but they are there for all to see: means testing aged care support, reforms to the pharmaceutical benefits scheme, a pause on the indexation of family payments, phasing out the Net Medical Expenses Tax Offset, are just some of the other examples.

We were also concerned about ensuring the long term sustainability of the age pension.  We not only increased the pension age to 67, but we also increased the superannuation guarantee levy from 9% to 12% and introduced the Low Income Superannuation Contribution, helping low income earners save for their retirement, a policy which would have, over a long period, moved hundreds of thousands of people off the full age pension and given them the opportunity to be not entirely reliant on the pension.  Policies this government is gutting.

These savings measures were, of course, not always popular and plenty were controversial.  But in office, Labor always measured our proposals against two important criteria: the impact on long term fiscal sustainability and fairness.

This second criteria is one the current government has simply not cared about. Australians are angry about this budget not only because it represents a farrago of broken promises, but because it represents a fundamentally unfair manifesto which launches unmistakable class warfare on low and middle-income earners.

The gesture politics of a one year politicians wage freeze and high income tax surcharges do very little to hide the fact that this government has thrown equity out the window.

NATSEM modelling, commissioned by the Opposition, shows just how regressive this Budget has been.

Families on the lowest 20% of incomes will see their disposable incomes decrease by nearly 5%, while those on the top 20 % will see their incomes decrease by just 0.3%.

Interestingly, for the first time since 2005, this year’s budget papers did not include tables showing, transparently, the impact on families on different incomes of the budget’s decisions.

I suspect we all know the reasons for these tables mysteriously disappearing for the first time in nine years.

I saw the Treasurer say on Monday night that this wasn’t true and that “you can’t believe everything you read in the Sydney Morning Herald”.

Well Treasurer, it is true.  And it is not the Sydney Morning Herald that has the credibility problem here.

If the tables did appear, they would show that a 23 year old unemployed person would be 18% worse off as a result of the budget, a single parent with a child over 6 would be 10% worse off, while someone earning three times the average wage would be just 0.9% worse off.

Unsurprisingly, other analysis shows that it is Labor electorates that will suffer the most from this Government’s axe. Of the top ten electorates impacted, nine of them are represented by the Labor Party.  The most adversely affected electorate in the country is my electorate of McMahon.  Now having lived there all my life and represented them in two levels of government for nineteen years, I know the people in my electorate well. They are people who would respond positively if their government asked them to make a fair contribution to a national task of ensuring the budget is on a sustainable footing.  If their government was honest with them, they would respond in kind.

But can Joe Hockey come to the people of Fairfield, St Clair and Greystanes, look them in the eye and tell them that they are the ones with the resources and ability to make a bigger contribution than his own electorate or any other electorate in the country? Of course he can’t and of course he won’t.

I last week invited the Treasurer on to this stage to debate his budget.  He declined.  But what would be even more appropriate would be a debate in the streets of the suburbs of the people whom Joe Hockey is asking to make the biggest contribution to his budget.  If the Treasurer would like a debate about his budget to be held in Western Sydney, or for that matter in any of the areas hit hard by his pernicious budget, I’d be delighted to join him.

There is much to object to in this Budget.  For those who ask how we could oppose some of the measures in this budget, I say how could we not?

For those who ask whether the nation can afford to block some of their cuts, I say can we afford not to?

If the Government succeeds in introducing its $7 charge to see a doctor, the fundamental principle of universal health care will be undermined and Medicare will be trashed.

If they succeed in changing the formula for indexing the age pension, we as a nation will be telling generations of people who worked hard and faithfully paid their taxes for years that we can’t afford to keep their income rising in line in accord with a fair formula.

And if they succeed in freezing the benefits of people under the age of 30 unfortunate enough to experience unemployment while on Newstart, they will purposely create an underclass, forcing people into the arms of over-stretched charities or onto the streets.  All this at a time when youth unemployment in Australia is at its highest level in more than a decade. This is unconscionable. We won’t stand for it.  How could we?

There are those of you in the press gallery who argue that Labor is making it harder for the Government to achieve its fiscal strategy.  Let me remind you that the Budget proposals that Labor will oppose over the forward estimates add up to less than four years expenditure for the Government’s extravagant Paid Parental Leave Scheme.

Budgets are about priorities.  This Government’s values tell them it is OK to introduce a scheme which sends cheques for $50,000 to millionaires who have a baby while cutting the pension, freezing younger people out of Newstart and reducing family payments.

This is just wrong.  It also goes to the argument about our respective credentials when it comes to fiscal responsibility. If the Government wants to tut tut Labor about opposing some of their cuts, they cannot seriously say that the budget can afford their paid parental leave scheme which will cost over $5 billion a year, every single year.

While the Government claims a budget emergency, it has imposed a 1.5% levy on business, not for budget repair but to fund an extraordinary entitlement scheme.

While they claim the need for tough choices, they undermine the principle of universal health care: not for budget repair but to fund a new Medical Research fund they claim will be the biggest in the world.

Budgets are about choices.

Nobel Prize winning economist Kevin Arrow once said: “The economist’s job is to say “this or that, not both. You can’t do both”. Well, Treasurers are the same.  They have to make decisions to prioritise. This Treasurer has prioritized his paid parental leave scheme over fair pension indexation, support for single income families, funding for schools and hospitals and access to Newstart for people under 30.

When it comes to the debate about fiscal responsibility and tough choices, Mr Hockey leaves his credibility at the door for as long as he supports this fiscal vandalism.

The paid parental leave scheme is just the most blatant example of this Government’s warped priorities.  The Government says they can afford a $20 million marriage guidance counselling scheme for example.  While cutting more than half a billion dollars from Indigenous programs. Apparently we are now closing the gap by cutting funding.

The Government has made clear its priorities, as is their right.

Well our priorities are different.  Our values lead us to an alternative vision for the nation.  And it’s one we intend to fight for.

This budget delivers pain without principal. But our opposition to its most pernicious measures is firmly based on principle.

Among all the cuts in this budget, all the ideologically driven meanness, there is one area that is particularly short-sighted policy and that has not yet received much public attention.

This is an area not actually about fairness, but about economic growth.

In an attempt to bolster his right-wing credentials with the more extremist elements of his party-room, the Treasurer has felt obliged to follow up his “age of entitlement” rhetoric with a counter-productive assault on government programs that encourage innovation, venture capital, commercialization and start-ups.

Ultimately, the best way to return the budget to surplus is economic growth.  Growth through new jobs for the future, through innovation, through science and entrepreneurship.

Together with the cynical decisions to make university degrees more expensive and saddling aspiring students with more and more debt, the government has chosen to undermine innovation and research and development.

The CSIRO receives a funding cut of $111 million. The Defence Science and Technology Organisation, which works with the Australian Defence Force and the defence industry on cutting edge projects which help save the lives of Australians serving in combat has also been cut.

The Australian Academy of Science regards these cuts as symptomatic of a substantial weakening of scientific research across the country.

In addition, Commercialisation Australia, Enterprise Solutions, the Innovation Investment Fund, Industry Innovation Councils, Enterprise Connect and Industry Innovation Precincts have all been abolished in this budget.

For example, Enterprise Connect has supported 21,000 businesses, eight out of ten of them having reported improvements to their productivity.

These programs, each successful, have not just received a shave in funding, they have been completely abolished.

Funding for Cooperative Research Centres has also been slashed. These are the centres that supported the development of some of the greatest innovations of the modern era, including the Cochlear Ear Implant, a device now bought by millions of hearing impaired people all over the world.

A vague new one size fits all Entrepreneurs Infrastructure Program has been established with around half of the funds previously allocated to the abolished programs.

The Treasurer calls this a “growth” budget.  He and I agree that we need to generate jobs and investment to replace those involved in the mining construction boom, but far from helping this transition, his budget makes it harder.

A Government truly concerned about creating jobs, about diversifying the economy and about generating new opportunities for those affected by the decline in mining construction as well as the pressures of manufacturing would be embracing the need for innovation, for high technology jobs, for venture capital and the need to encourage start-ups.

It would be disappointing if the Budget did nothing to encourage this; it is devastating that it actually takes our national policy backwards.  An ideologically driven assault on government programs to foster entrepreneurism and innovation makes no sense.

The potential here is big and real.  It is not about a few jobs for graduates in t-shirts who happen to fall upon a good idea and strike it rich.  It is about creating jobs for hundreds of thousands of Australians that are not vulnerable to being outsourced to other countries or subject to a race to the bottom in wages.

The pay-offs for our economy of relatively small government investment of money are, potentially very substantial. In his excellent book “The New Geography of Jobs”, Professor of Economics at Berkeley University, Enrico Moretti, found that for each new job in the high-technology sector, five more jobs are created elsewhere.  The ramifications of this are very important.  If we get more venture capital, more start-ups, more jobs of the new economy, then the main impact will be jobs for all, spread right through the economy for those many of us who would no more know how to write a piece of software or create a new app than would know how to engage in brain surgery.

Australia does not need a carbon copy of silicon valley, but we can find our own niche, our way to create thousands of good, well-paying jobs.  We can do much, much better.  High growth technology companies currently generate less than 0.2% of our GDP.

PriceWaterhouseCoopers has estimated that with the right policy environment, this sector could contribute 4% of our GDP, generating more than half a million jobs by as early as 2033.

The potential is huge, but we have a lot of catching up to do.  Our venture capital industry starts off a low base and is not growing as fast as that of comparable countries. We do badly when it comes to the important “angel funding” with only one dollar invested for every Australian each year.  In New Zealand, the comparable figure is $6, $15 for the United Kingdom and $85 for the Unites States.

Although it doesn’t fit the Treasurer’s sterile and austere philosophizing, there **is** a role for our national government in turning this around.

The most important measure for helping Australia’s entrepreneurial talent show what it can do, for example, is the Research & Development Tax Credit, which the government has cut by $620 million in this budget.

When we were in office we replaced the outdated R&D Tax Concession with a more accessible tax credit. In the first year of the new incentive, the number of firms registered by R&D tax measures grew by more than 15 per cent and the total amounts invested in R&D grew by 20 per cent.

The tax system is one of the most powerful levers a government has to influence investor behavior. Other Governments around the world, including conservative governments get the importance of a supportive government environment for the high-tech, startup sector, making it more frustrating that our government does not.  In the land of the free, the United States, every dollar of government investment in high-tech incubators generates an additional***thirty*** dollars of tax revenue.  Perhaps the Treasurer might have thought about this before he engaged in his ridiculously short-sighted cost cutting regime.

If the Government is determined to remove support from this sector, Labor is willing is to lead the debate.  Bill Shorten has made it clear that science will be front and centre of our agenda in Government.  As first steps, he has taken responsibility for the science portfolio himself, assisted by Kim Carr.

Here at the Press Club in March, Bill Shorten spoke about the need to foster entrepreneurship and his commitment to small business. He spoke about the need to improve treatment of employee share schemes, so we can remove a drag on innovation. In the same vein, there are other ideas Labor is interested in pursuing to create growth and the jobs of the future. One example is crowd-sourced funding.

**Crowd-Sourced Funding**.

This involves a large number of smaller investors being able to pool their money to fund an investment. Around the world, it is estimated that crowd-sourced finding will generate $65 billion in funding and finance the creation of 270,000 jobs this year.  There is one small problem, however.  Crowd-sourced funding is, in effect, illegal in Australia.  ASIC regards crowd-sourced funding as a financial services undertaking, requiring a license, making its operation of crowd-sourced funding highly problematic.

A fix to this problem is necessary. Last year the Rudd Government sent a reference to the Corporations and Markets Advisory Committee on how to encourage crowd-sourced funding.  Unfortunately, in another shamefully short-sighted move, the Abbott Government has abolished this committee.  In the absence of Government action, Labor is willing to be pro-active. Bill Shorten and I have asked my Parliamentary Secretary, Ed Husic, who has a passionate interest in the potential of high technology to consult with the sector on potential legislative remedies, to provide the regulatory framework for crowd-sourced funding and to examine options that Labor can put forward in either Government or Opposition in the absence of action from the Government.

**An Entrepreneurs Visa**?

We also need to ensure our immigration program is promoting innovation. Australia has plenty of entrepreneurially minded people. Unfortunately, too many feel the need to move to Silicon Valley or elsewhere to find a culture and environment more welcoming of start-up companies.  But we should not only encourage Australians to start innovative companies here, but also invite entrepreneurs from around the world to come and create jobs here.  In office, as Minister for Immigration, I introduced changes to the Business Talent Visa regime, but we must keep our visa settings under review to ensure to ensure that it is acting to maximize our national interest.  But we can do better when it comes to attracting people with the entrepreneurial spirit. In office, we introduced a “Significant Investors Visa” designed to make it easier to attract individuals with access to significant capital. A similar model is applicable to attracting those who may not have capital, but have ideas and drive.

New Zealand, the United Kingdom, Ireland and Singapore among other nations that have introduced specific entrepreneur visas, and Australia needs to consider doing so as well.

This is an idea that our Shadow Minister for Immigration Richard Marles and I will be further pursuing in consultation with the venture capital sector.

Today, I have referred to two constructive, innovative ideas to generate new, well paid and secure jobs in the Australian economy. This is the beginning, not the end of the process.  There is more work to do in this space, including policy development in relation to incubators, employee share schemes, building the skills we need, high-tech scholarships and other matters.  Again, Bill Shorten and I have asked my Parliamentary Secretary, Ed Husic, to consult the high-tech sector about policy details and work with our colleagues such as Kim Carr and Jason Clare, who both share our passion, to develop more details. And we’ll have more to say on this.

**A difference of approach.**

Labor believes the best way to return to the budget to surplus is through economic growth. The ideas I just talked about just then are symptomatic of this mind-set: searching for ways of promoting economic growth, which creates jobs, opportunity and, in turn, new government revenue.

On the other hand, the Government offers us cuts.  It offers us unfairness.  It offers no hope, no plans for growth. Just a lazy, unimaginative retreat of the state.

Australia, a middle-sized economy, bristling with ideas, talent and innovation deserves better than this sterile, unimaginative government.  A government passionate about Australia’s future would embrace the jobs of the future.  It would invest, not retrench. It would look for ways to grow the economy instead of just cutting the Government.  It is the sort of Government I want to be Treasurer in.

It is the type of Government Tony Abbott and Joe Hockey are just not capable of delivering.

Australia has been noted and respected as a “can do” country. We have always been regarded as a nation that, in the vernacular, “punches above its weight.” Much of our national achievement comes from a combination of Australia’s abundant natural resources and our determined, skilful and hard-working people.  We have faith in ourselves and our country. We are a confident nation that approaches challenges with a deep conviction that if there is an answer we will find it.  And we do.  Australia wouldn’t be Australia without its optimistic, confident nature.

Suddenly, without warning, without consultation we have a government that doesn’t share the national characteristics.  A government that preaches pessimism.  A government that says we have to become a lesser country and accept lesser standards.  A government that has no faith in its people and no confidence in our ability to meet challenges.  A government determined to throw a blanket of gloom and doom over our country.

A Government which says we can be prosperous or fair, but we can’t be both.

Labor believes this is a false choice.

Australia doesn’t have to choose between growth and fairness.

We believe it is within our national wit to pursue growth and opportunity.

To be a nation embracing modernity, comfortable with its place in the world, multicultural and outward looking, embracing the jobs of the future.

And with the Australian model of fairness underpinning it all.

If nothing else, this Budget brings on a proper contest of ideas and values for the Australian people to pass judgment on.

It is a contest that Labor will engage in with passionate energy on behalf of all those Australians who want a better government so that we can be a better nation.