

Lady luck makes a comeback

Opposition leader Kim Beazley uses a Finsia lunch to caution about Australia's rising debt levels.

It was a case of 'back to the future' for those Finsia members who attended the Kim Beazley luncheon on 4 November at the Hilton Hotel, Sydney. Foreign debt, declining terms of trade, skills shortages and productivity bottlenecks reveal the same kind of Government complacency, according to Opposition leader Kim Beazley, that first propelled the Labor party to power in 1983 and he hopes will do so again in 2007.

Relying on a grim outlook in a HSBC investor report on the Australian dollar, Beazley scooped the cream from the government's success story: "In the past two years, we have seen the greatest increase in foreign debt in our nation's history. We now owe, in net terms, \$430 billion to foreign lenders—up \$72 billion in just two years..."

The Opposition leader argued that we could no longer rely on conventional wisdom that Australia can live with a relatively high foreign debt—"...to underwrite a surge in consumption and mortgages, not production".

And there are many other causes for concern: "the gap between skilled workers going into retirement and the numbers of trainees to replace them; the slowdown in productivity growth; and export performance in almost every sector (except mining) has deteriorated, despite the best economic conditions in thirty years".

The Opposition leader's cautionary advice to beware the complacency of 'Lady Luck' echoed the words of the late Donald Horne, "Australia is a lucky country, run by second-rate people who share its luck."

Whether or not the Labor party can present a 'first-rate' alternative for the Australian electorate in 2007 remains to be seen.

For now, at least, Beazley has declared Labor to be 'open for business'.

"At this point in the political cycle," Beazley told Finsia members, "we want to hear your input. If there are new opportunities on the horizon, you see them first. If badly designed regulation is becoming a dead weight on your business, you feel it first."

On specific financial industry issues, the Opposition leader was reluctant to comment, but indicated that the sector has seen some poorly targeted and cumbersome regulations in recent years.

Beazley skirted a question on disclosure of fees and

charges for financial products—the source for criticism of Labor policy at the 2004 election. On matters of detail, Beazley has placed his trust in Wayne Swan, Shadow Treasurer, and Nick Sherry, Shadow Minister for Superannuation, Banking and Finance.

Rather than addressing specific finance 'industry' issues, Beazley targeted the big-ticket items under the banner of 'sustainability': ratification of the Kyoto protocols and the development of a local market for carbon-emissions trading, funding for national development in infrastructure, and an enlarged commitment to skills and training.

Of increasing interest to participants in the financial services industry, the Opposition leader promised stronger national leadership to develop existing alternatives to fossil fuels, such as liquid petroleum gas, ethanol and biodiesel. This would galvanise the development of a fully fledged energy industry in Australia.

On the skills front, the ALP has put forward proposals for school-based apprenticeships, wider parent choice for specialist public schools and an overhaul of the New Apprenticeship Scheme to target increased incentives in areas of skills shortages.

To date, the ALP has released four 'blueprint papers' on national security, skills and training, efficient fuels and infrastructure. In the coming year, the party intends to release more policy blueprints and "continue to consult widely to develop a strategy for the nation's future".

Kim Beazley reflected on his maiden speech to Parliament following the 1980 election. Then focused on national security, he argued for "national leadership to help the nation stand on its own two feet".

The uncertainty wrought by terrorism is only part of the potential 'shocks' that face Australia in a much-more globalised world, such as, "external shocks disrupting fuel supply or prices, a sudden shift in commodity prices, or a change in investor sentiment towards Australia".

In short, expect to hear more about the 'sustainability' of Australia's economic success in the lead up to the next election.

Also, expect to hear more about the current account deficit and foreign debt, and Australia's dependency (again) on a stream of foreign loans to fund consumption rather than productive investment. **J**