

Political Guts

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Treasurer Wayne Swan
Prime Minister Kevin Rudd
Finance Minister Lindsay Tanner
Assistant Treasurer Chris Bowen
PO Box 6022
House of Representatives
Parliament House
Canberra ACT 2600

Dear Sirs

So many media reports in the last weeks talk loudly about perhaps using the whole of the budget surplus to “spend” our way through the economic situation Australia is in, through our relationships with the other international players in the financial crises plaguing the planet. Many competing interest groups claim to have the best investment opportunities to soak up the budget surplus.

However, it is prudent to take a step back and ask: Why are we considering investing our surplus? What is the END RESULT we are aiming at?

What we really want is to stimulate our economy, to enable Australia to power through this international crisis, and emerge as an economic leader phoenix like, from the ashes of the global ruins now being created. How best can we do this?

There are only three ways to achieve this result and we must consider Australia as a business for them, or anything, to work. Running Australia IS the largest business in the country. Every other business is a subset of, and relies upon the successful management of the business of Australia.

The first method is to produce more, the second is to become more efficient and the third way is to spend and waste less. Whilst running Australia IS a business operation, the product that is sold is the product of the businesses that operate within Australia. Therefore, increasing their productivity is a function of making business operation easier and more profitable for them.

The real question to ask may be “Should we be spending more, or managing better?”

My very first suggestion, in a letter to the Treasurer Mr Swan and the Prime Minister Mr Rudd, on September 24th, 2008, was the introduction of the 1.5% Transaction Tax. With this suggestion, all taxes would be eliminated, including income tax, and a 1.5% levy would be deducted from every bank transaction. This will eliminate a huge proportion of the tax constraints and costs of production, employment, administration and every other facet of Australian business. It will free the Australian consumer to invest in their lifestyles, with new homes, cars, consumables and forward thinking investment in education and business. It will eliminate the pressure and stress that paying a multitude of taxes has become, eliminate avoidance behaviour, and allow people and businesses to focus on being more productive and profitable, which is the purpose of the whole exercise around “investing the budget surplus”. Details of this taxation reform are on my website at <http://www.politicalguts.com/id5.html> .

So whilst there are three methods of stimulating a business such as Australia, implementing the first method of taxation reform achieves the desired outcome.

However, no doubt the push will be on for an immediate stimulus, and that brings us back to the debate on investing the surplus.

The surplus and the Future Fund are closely related. Both have a direct impact on the future of the economy of Australia and the people, especially the younger generations. Getting it wrong has huge implications. We need to be thinking for the long term, not just the next term.

Whilst the best ways to invest the surplus will be debated ad-nauseam, there are some fundamental underlying principles to consider with any investment. This is even more important in a situation such as a government, where the assets are the property of the taxpayer, but business and industry are the engine room of the economy, the government really has nothing to “sell” and only taxes to collect. Our current budget surplus was created in part by selling off our assets, including Telstra and other such semi or wholly Government owned businesses.

However, the challenge remains – the same as running any other business in this country – where can we invest what we have, to produce both the best short term and longer term outcomes, for both cashflow and value? I would suggest it's not in Christmas present money! We need investments that are both employers' and national cash cows, and we need them to be the investments that give us the 'best bang for our buck'.

If we look to where the most pain has been felt in recent years, we also find where the most idle and also the most easily resurrected infrastructure opportunities lie. Our rural areas have suffered from not only years of neglect, but also from years of drought and poor commodity prices. Added to these issues, fuel has doubled in price in recent times, further isolating rural communities and increasing their costs. These rural and regional areas are where enormous amounts of infrastructure is either idle or in need of a capital injection, and huge benefits can be easily found.

For example, on my website at <http://www.politicalguts.com/id43.html> I discuss the opportunities of opening up regional areas with road and rail transport and airport terminals. For example currently, while the international airport at Sydney is straining to take the pressure of air traffic and road and passenger access, the city of Dubbo is having a hard time. Yet Dubbo has a perfect location for an international airport of whatever dimensions are needed for now and in the future, because the country is wide, flat and open! It is the centre of an agricultural region, and an international airport in rural Australia would open up export opportunities for our struggling rural producers. This new airport could easily service Melbourne and Sydney as international arrival points without curfews, with short hop shuttle flights transferring people very quickly to the capitals. Rural infrastructure, such as aircraft fuelling and repairs, tourism and accommodation, rail and transport linkages and more would also be stimulated, along with local employment.

However, the City of Dubbo is struggling right now, with high unemployment, empty shops, warehouses and factories, the hospital cannot afford bandages and medical supplies, and drought and the declining city business turnover is exacerbating the problem.

A similar situation exists with Toowoomba, another major regional centre, with an airport that can only safely take the smallest of propjet airliner services. However, as an airport location and transport terminal in South East Queensland, it is absolutely ideal! It is, like Dubbo, at the crossroads of major Australian transport routes, has a good local industrial infrastructure, is at the top of the mountain range in a city of almost 100,000 people and potential employees, the centre of possibly the richest agricultural region in Australia and again, a potential source of airborne rural exports and has virtually unlimited room for expansion. It is also a struggling regional centre.

I use these as examples only of sound infrastructure investment opportunities and there are more like them. The transport links proposed years ago, of a railway line from Melbourne, through inland Australia to Darwin could open up the inland, in concert with these proposed transport terminals.

When you look at the continent of North America, you see the nation criss-crossed by highways, linking cities with populations of over a million in rural regions. These cities all have airports capable of taking the large jets, and transport terminals worthy of an industrial centre. We have to ask – why does Australian development have to focus on the narrow strip of coastal land, squeezed between the mountain ranges and the ocean?

Why do we have to drain the population from the country regions because of lack of opportunity, to crowd them into cities already stressed with unemployment, lack of rental accommodation and infrastructure? Why are we building densely settled housing developments on prime agricultural land on the fringes of the major cities, creating urban slums with much lower socio-economic demographics because rental housing is cheaper there, while our rural towns become ghost towns? Stimulating the regions from where these rural refugees originate will resolve most of the problems we have, in stimulating and rebuilding our economy.

It is in this area where most benefit would come from an investment of our budgetary surplus, if that is what the ultimate decision is. Whilst I believe that there are management strategies that would be a better choice than spending our surplus and running the country into deficit, should the decision be made to spend the budget surplus, the rural and regional areas of Australia have enormous potential that could be realised with the least amount of investment for the most return on that investment.

Please review both the relevant sections of my website for more depth in these areas. Taxation reform is at <http://www.politicalguts.com/id5.html> and infrastructure is at <http://www.politicalguts.com/id43.html> . I ask you to really study them, and act on them.

This letter will also go to other relevant Government members, and I will be canvassing the community for more support in these and the other areas of urgent need, as expressed on the Political Guts website. I look forward to seeing the outcomes of your decision making process.

Sincerely

Ray Jamieson
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