Speech by

# Stirling Hinchliffe

**MEMBER FOR STAFFORD**

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## MOTION: RESERVE BANK, INTEREST RATES

**Mr HINCHLIFFE** (Stafford—ALP) (5.51 pm): I rise to speak in support of the passion of the motion moved by the member for Gladstone and to second the wisdom of the Treasurer's amendment to the motion. On a number of occasions I have spoken in this House about the importance of housing affordability. I have focused especially on the many and varied factors that contribute to housing affordability, both for those purchasing a home and for those renting a home. In recent time housing affordability factors such as land supply, land development costs and escalating building costs have all received a huge amount of attention. However, there are other underemphasised issues related to housing affordability, such as housing choice, built-fabric operational costs and effective taxation treatment of investments. Although this huge array of factors play significant roles in housing affordability, put simply, the cost of credit is the overwhelming influence in the Australian housing environment. Therefore, on behalf of all those Queenslanders who are battling to keep a roof over the heads of their family, I want to thank the Reserve Bank Board for responding decisively to the global credit crisis.

Yesterday's one per cent cut in the interest rate has delivered a clear signal that the Australian economy wants to stay ahead of the destructive wave that is sweeping markets worldwide. Realistically, Australia's economy—and Queensland's economy—is not immune. It has become more than trite to say that when the US sneezes, the world catches a cold but, as honourable members will understand, the US has experienced much more than a sneezing fit. In truth, Australia enjoys a much sounder set of financial institutions and their regulatory environment means that they have been inoculated somewhat—and I do mean only somewhat. Despite that inoculation, I am concerned about whether we can afford to deny the banking sector a few sips of vitamin C rich orange juice. As a nation, we must support the stability of the Australian financial system. The banks are the cornerstone of this system. As I have mentioned, the banks have indeed enjoyed—and I note the comments of the Treasurer—the benefits of our regulatory environment and are therefore, unlike many similar sized financial institutions across the world, not facing collapse or voluntary nationalisation. That is why I support the motion before the House.

It is not the time for the federal government to intervene and I am particularly concerned about the word 'ensure' in the motion, which effectively would have to require a federal government intervention. This is an alternative that could result in greater intervention of the magnitude that we see occurring in countries like the United Kingdom and in other parts of Europe where there is the voluntary nationalisation of banks. The federal government, which has been responsible for maintaining the regulatory environment at a time when other financial sectors in other parts of the world have increasingly found themselves less fettered, has done its bit. Now it is up to the banks, who owe Australians a quid pro quo.

I understand that the banks are facing the higher cost of raising funds as a result of the credit crisis. Largely, their funds are raised in overseas markets—that is if they can raise them at all. However, the banks have a responsibility to pass on the relief supplied by the Reserve Bank to mum and dad borrowers. Our big four banks and their shareholders have profited, especially over the past five years, from a strong economy and a safer prudential environment. Although some banks might feel bruised and have taken a hit on the market, to sustain a good economy that will allow them to stay strong into the future these banks need to cut some slack to their bread-and-butter: mortgage holders.

This situation is akin to a mirror image—a flip side—of that famous scene from the Frank Capra film *It's A Wonderful Life*. In the scene on the eve of the Great Depression, the Jimmy Stewart character, George Bailey, pleads with the members of the Bailey Building and Loan Association—

> No, but you...you...you're thinking of this place all wrong. As if I had the money back in a safe. The money's not here. Your money's in Joe's house ... right next to yours. And in the Kennedy house, and Mrs. Macklin's house, and a hundred others. Why, you're lending them the money to build, and then, they're going to pay it back to you as best they can.

Thus George Bailey talked the locals out of a run on the Bailey Savings and Loan Association, saving them all from the evil local bank owner, Mr Potter. All sound stewards of the nation's economy should take a leaf out of George Bailey's book and encourage the local banks to give their customers a chance to keep our economy ticking over.

Although I have referred the House to a 1940s Hollywood melodrama, I do not wish to make a drama out of this issue. We need stability. I commend the amended motion to the House.