again, one makes the best estimates one can from information available. But I am not terribly worried about whether an estimate from Treasury is a few per cent out. What Australians care about is that the platform is being laid for strong export performance in this country, and from the dividends of that strong export performance I am sure Australians can make their own decisions about what they choose to buy—and they may well choose to import. We have seen, in the last quarter, imports increase by $3 billion and exports increase by $1.1 billion. Therein lies the current account deficit that we are discussing today. In the end, individuals are making private purchase choices and that is a whole lot better than the government making purchasing decisions on their behalf, going into debt on their behalf and ultimately servicing debt on their behalf.

The factors contributing to the widening current account deficit are primarily those of a stronger export sector and, as I have said, companies involved in the export sector are not always Australian owned. It is also worth noting that as long as the petroleum price remains at over $70 a barrel that will be a major driver pushing inflation up towards the three per cent mark. As long as it sits somewhere between two and three per cent we are within the Treasury benchmark and the preferred channel in which we would like to see inflation sit. But the great fear, of course, is that secondary effects of rising fuel prices can cause the price of other commodities and other local products to rise for Australians. That will be something, I know, that the government will watch very closely.

Australia is a strong exporter. Over the last 12 years, the size of our economy has moved from 16th to 12th on OECD rankings. It is incumbent on us to look at our performance relative to other OECD economies to see where we are moving and whether we are actually capitalising upon the endowments we have. Australia was very active in Doha—one of just six nations that led negotiations in that round. We are a leader in freeing up trade, which we know is probably just as important as foreign aid for the developing economies that seek to capitalise upon the opportunities that liberalised financial markets give them. This government has negotiated a number of free trade agreements: with Singapore and Thailand already; with China, ASEAN, Malaysia and the UAE shortly; and we are already moving ahead with Japan, hopefully, towards the end of 2006.

Mr Deputy Speaker, in closing, this is a government absolutely committed to our export sector and particularly focused on the needs of small to medium exporters. Those in Bowman that have been recipients of this important grant round cannot speak highly enough of it. I support these changes which indicate that this government is listening and responding. I would like to see it continue on and that my exporters in Bowman remain able to access it, and that we continue to insulate Australia's future with a particularly strong export performance.

Ms BIRD (Cunningham) (11.44 am)—I say to the member for Bowman that it is quite wrong to characterise Labor's discussion of the current minerals boom as critical of the minerals boom. Our concern is how that boom can be utilised in order to safeguard the longer term future. I come from a major coal-producing area that saw massive redundancies and the heartache that they caused, and I think it is quite legitimate for us to have a view of how the investment following that boom time should be made to safeguard our future. So I correct the representation that the member for Bowman made that our concern is to be critical of the boom itself. Our criticism revolves around our view about the investment of that boom for the future.

I welcome the opportunity to contribute to the debate on the Export Market Development Grants Legislation Amendment Bill 2006 and, like the member for Bowman, acknowledge some of the businesses in my area that have utilised this very important program and its initiatives. I agree that it contributes to assisting Australian businesses in the challenges and opportunities in export. The bill amends the Export Market Development Grants Act 1997 by extending the life of the EMDG scheme until the end of the 2010-11 grant year. It provides for a review of the EMDG by 20 June 2010 and makes 14 amendments to the current act.

The EMDG scheme is perhaps one of the most outstanding continuing government programs in Australia. It has had a long life, as the previous speaker acknowledged, and so it should. In fact, as with most policies of such enduring value, the EMDG was introduced by, as the previous speaker described it, a 'former administration'. I will not be so shy; I will say that it was introduced by the Labor government in 1974. It has been maintained, although in various forms, by governments of all political persuasions that have come and gone. The EMDG is a crucial element of the export strategy of Australian companies seeking to commence and/or sustain their exports. The EMDG directly assists small and medium businesses, most of them in regional areas of Australia. The costs of export and sustaining the export market are prohibitive to these small and medium businesses. The EMDG helps provide them targeted financial assistance. I will also use the opportunity of this debate, as have previous speakers, to comment on Australia's general export performance over the last 10 years.

The opposition is supporting the bill but has moved a second reading amendment which we believe would improve it. The EMDG was reviewed by Austrade, which considered nearly 400 submissions. It concluded that the EMDG was popular among the Australian business community and that this support was not limited to any particular industry sector. It also concluded that the EMDG was an effective program to assist small and medium businesses to commence and continue export activity. The Minister for Trade announced a series of measures on the EMDG in late January this year, which are encompassed in this bill.

As the opposition amendment suggests, we are concerned by the removal of the Australian content rules. Currently, goods are eligible if they are manufactured in Australia and have at least 50 per cent local content. If goods are manufactured offshore, eligibility requires that at least 75 per cent of the components' value must meet the 50 per cent Australian content requirements. The bill also gives the minister discretion in determining whether goods are made in Australia. Given the minister's recent appearance before the Cole inquiry, I no longer have much confidence in the discretion provided to ministers. All too frequently we have seen examples of how such discretion has been abused or incompetently administered. Ministers and parliamentary secretaries are responsible for discretionary powers—for example, under the Regional Partnerships program. These discretionary responsibilities were abused on occasion and incompetently administered, as revealed during the Senate committee inquiry into the program last year. I urge the government to adopt the reasonable proposals contained in the opposition's second reading amendment, including having the Auditor-General audit the EMDG two years from the date on which this bill is enacted.

The EMDG is far too important to small and medium businesses, especially in regional areas of Australia such as mine, to be the victim of any abuse or incompetence. I note that the bill does not address one area of business concern: certainty of payment. Eight years ago the government capped the EMDG. The Australian Chamber of Commerce and Industry has been most critical of the way payment is made. The more reasonable Australian Industry Group, which has a more realistic world view, devoted some thought to the EMDG in its report released last week, entitled *Manufacturing futures: achieving global fitness*, a briefing on which I attended in Wollongong. Page 63 of the report states:

> Since 1996 there has been a gradual erosion in the real value of the Scheme's budget ... A yearly allocation of $300 million would be more appropriate for what is the keystone of Australia's efforts to foster and develop a diverse and sustainable export sector.

It goes on to say:

> The uncertainty surrounding full payment of eligible claims and the long lags in receiving the rebate further undermine the efficacy of the Scheme.

The bill, unfortunately, does not address these key issues despite the calls from the Australian business community. As fate would have it, given it is so important in my area, I had asked the Minister for Trade a question on notice about the EMDG in early February 2005. He provided some interesting information relating to the EMDG and the program's use by businesses in the Illawarra in May 2005. In my electorate the EMDG total value of grants in the period 1993-94 to 2004-05 was $3.3 million. In Throsby, my neighbouring electorate, for the same period the amount was $1.6 million. In Gilmore, again over the same period, the amount was $4.6 million. The number of applicants and recipients in each electorate has been relatively constant over the decade. This indicates to me the popularity of the EMDG for small and medium businesses in regional areas. It also confirms that the Illawarra continues the export task.

In my electorate the businesses having received EMDG grants between 1993 and 2004 are wide and diverse, as they are across Australia under the program. They include: photographic and optical goods, inbound tourism, computer consultancy services, fabricated metal product manufacturing, toy and sporting good manufacturing, electrical and equipment manufacturing, mining and construction machinery manufacturing, plant nurseries, data processing services, telecommunications services, fruit and vegetable wholesaling, boatbuilding, black coal mining, domestic appliance retailing, glass and glass product manufacturing, education, and wine manufacturing—none of which is quite as amazing as the fish-stunning piece of equipment that the former speaker referred to.

This is an extraordinary list of businesses by industry groups exporting goods and services to the world. And they are based in the Wollongong and Illawarra region, once so famous for its steel and coal but now expanding its export base. These are just another indication that the region I represent in this place has vastly diversified its economic base over the last two decades directly as a result of the fact that the coal industry did experience a significant downturn and that economies did have to diversify and, whilst we appreciate and value the current boom in export commodities, we do realise that it is important to continue to build on our diversified base for the future.

When I was first elected I discovered an EMDG recipient based in Bellambi in my electorate. I have mentioned Seawind Catamarans before in this place. Usually, unfortunately, it has been in the context of the skills shortage because they have had a problem in that area. Seawind build boats and catamarans at the luxury end of the multimillion dollar industry. The

Seawind site at Bellambi—the giant shed—at any one time is full of boats and catamarans, some just skeletons, others nearly finished, others complete, polished and ready for launch at the Wollongong boat harbour on a very early morning run. Most are placed in the water for their sail to Sydney and then for export to Asia, the United States, and other countries.

Just a few weeks ago I met with the new management team at David Brown Gear Industries based at Bulli. David Brown Gears has also been a recipient under the EMDG scheme. This company is part of Textron, a $10-billion multi-industry company with 45,000 employees across 40 countries. Forty-five per cent of their activity is involved in aircraft, 15 per cent in fastening systems, 15 per cent in industrial products, 18 per cent in industrial components and seven per cent in finance. I recently invited the University of Wollongong and its Innovation Campus initiative to make contact with David Brown Gears to talk about establishing a research partnership, and AusIndustry representatives have also been to the site for discussions. I will be asking my colleague the honourable member for Gilmore to meet with me shortly to discuss the potential of the company to be involved in defence related industry, which is such a strong part of her area and which I know she strongly supports.

These two examples of successful businesses based in my electorate confirm a rather insightful comment contained in the AiG report I referred to earlier. On page 20, a quote appears from a Wollongong metal manufacturer stating, ‘We are no longer an Australian company, but a global company based in Australia.’ Australia’s export performance over the last decade has, sadly, been poor. The balance of payments figures confirm a structural weakness in our trade performance. The Prime Minister, in March last year, said: ‘The current weakness on our trade account will only be temporary.’ At that stage Australia had recorded 38 monthly trade deficits in a row. Now, we are on the verge of 50 consecutive trade deficits. Just how disastrous does it have to be to be taken seriously by the government?

The government has been cautioned, warned and advised by international organisations—including the IMF and the OECD—of the consequences of running unsustainable current account deficits. It has similarly been cautioned, warned and advised by the Reserve Bank of Australia, Treasury and even respected private economic consultancies such as Access Economics. The government should not simply ignore this giant problem and wish that it would go away.

Like its last Liberal predecessor, the Fraser government, in which the Prime Minister served as Treasurer, it is relying on the engine of China and India to power a resources boom. The government has been warned, and Australian history confirms, that these resource booms do drop off and the consequences for Australia, as have occurred in the past, will be massive. Last week’s budget confirms just how precarious Australia’s trade position actually is. The budget strategy announced is based on a false floor: a commodities boom that cannot and, history foretells, will not last forever. The current account balance in the budget’s macroeconomic forecast shows a deficit for 2004-05 of $58 billion. We still have a further two months of the financial year to go. The forecast for 2006-07 is a massive almost $63 billion, over six per cent of Australia’s domestic economy. The government is forecasting export growth of two per cent in 2005-06. That is down from the 2½ per cent export growth outcome for 2004-05.

In a real dose of illusion, the government is now estimating seven per cent export growth in 2006-07. It publishes this estimate every year and it never reaches its target. The Treasurer boasted in the budget about the government debt. When you are the highest taxing government in history, is it really difficult to reduce government debt? When you have shifted debt to households, is it really difficult to reduce government debt? The budget forecasts show that, despite the tax relief offered in the budget, this government will continue to snatch and grab revenue of $222 billion next year, $230 billion the following year and a further $9 billion the following year.

By 2009-10 it is projected that the government will have its hand in the pocket of Australians to the tune of $263 billion. It is soon to be a trillion dollar economy, with the Treasurer's hand still deep in everybody's pocket. When talking of debt, however, the Treasurer never talks about the current account deficit or Australian foreign debt, and the former speaker tried to minimise the importance of those issues by suggesting they are only one component. It certainly did not stop the government, when in opposition, running debt trucks around the country on exactly that issue. The infamous 1996 debt truck, unfortunately, broke down along the Hume Highway. Since then, it has been hidden in a shed under a tarpaulin.

But the bill for the blow-out in the foreign debt of nearly half a trillion dollars means that every Australian man, woman and child owes nearly $26,000. Australians need to know that the Howard government's neglect of debt during the last 10 years directly threatens the prosperity enjoyed as a result of the massive and, at times, very painful reforms undertaken by the Hawke-Keating Labor governments. To service the Australian foreign debt we have a contract with foreign lenders. That contract needs to be serviced by exports. At some stage foreign lenders will make a drastic call that Australia cannot service its borrowing. They will, at some stage, call in that debt. The results will be catastrophic for each and every household.

The government, of course, blame everyone else and everything else for the poor export performance. Invariably they blame the international terrorism situation, drought, the high dollar, the low dollar, rising oil prices and the Asian financial meltdown. There is a ready excuse constantly on hand for refusing to take responsibility. The government believe that the best way to compete with the Chinese, Indian and other emerging economies is to mirror how those countries pay their workers. It is the low-paying road; hence, the Work Choices legislation. Never mind the evidence of the last decade, prior to 2000, when manufactured goods and supporting services grew by 15 per cent, simply transformed manufactures by 13 per cent and elaborately transformed manufactures by 16 per cent. What did this export activity contribute? Linked industry and businesses, leading technology, skills, system organisation and management techniques—in other words, innovation. It led to a productivity burst, which is now evaporating.

The budget included funding of $750 million for the EMDG over the next five years. It is no more funding than already allocated. The EMDG is a good program that was, as I mentioned earlier, introduced by a Labor government in 1974. It has been continued and supported by governments since. It has continued to exist because of its useful assistance to small and medium businesses seeking to export and sustain a new market overseas. The EMDG has certainly been a source of assistance to exporting businesses in my electorate and the region I represent. But Australia needs to do much more to improve our export performance. There are significant threats to the continued prosperity of the nation unless we act, and act soon. This government does not seem to have the stomach for it.