

The Australian

Labor raids deplete Future Fund

- Tom Dusevik, National chief reporter
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ALMOST all the federal government's nation-building infrastructure fund has been depleted, less than a year after it received an initial \$11 billion endowment to make strategic investments.

According to the Department of Finance, the "uncommitted balance" of the Building Australia Fund was \$705 million at the end of March, a 94 per cent plunge compared to the value of its original capital.

As well, the department reported the money now available from the Education Investment Fund and Health and Hospitals Fund for new long-term nation-building projects stood at \$4.7bn, 60 per cent down from their combined start-up capital of \$11.5bn. The assets of the three funds are managed by the Future Fund board of guardians and are earning about 1 per cent a quarter.

The Rudd government has eaten up 76 per cent of the capital in the three nation-building vehicles to fund its stimulus packages and spending on rail, ports, roads, cancer treatment facilities, university buildings and research centres.

In Tuesday's budget, Treasurer Wayne Swan announced the establishment of a new infrastructure fund, starting in 2012-13, with an initial contribution from the commonwealth of \$700m to assuage the mining sector over the introduction of the contentious resource super-profits tax.

Labor argues the fund will be worth \$5.6bn over the coming decade and that it wants to make resources infrastructure spending a part of federal and state budgets.

The innovator of such funds for strategic investments was the former treasurer Peter Costello.

In 2007, he created a Higher Education Endowment Fund, promising that the \$6bn of capital would not be spent and that future budget surpluses would add to the perpetual fund.

Mr Costello, who was appointed to the Future Fund board last December, argues the Rudd government is recklessly raiding the capital in a short-sighted way at the expense of tomorrow.

The three nation-building funds were announced in Labor's first budget in 2008 and came into being in January and February last year.

Last month, The Australian revealed how 60 per cent of the capital of both the EIF and HHF had already been allocated by Labor by the end of last year. As well, it was reported the health and education big-project spending was overwhelmingly going to Labor electorates or seats notionally in the federal government's hands after recent electoral changes.

Originally, Finance only published the quarterly balance of the three funds. After a series of reports in this newspaper, it now also calculates the total of spending grants announced by the federal government and publishes the uncommitted balance available for new projects.

The BAF was launched in January last year with a transfer of \$2.5bn from the former Communications Fund. Last June, it received \$7.5bn from the 2007-08 budget surplus and \$966m from the Telstra Sale Special Account.

Most of the Rudd government's announced BAF grants have come via its economic stimulus packages. The spending on roads, rail and ports was announced in last year's budget, after being vetted by co-ordinating body Infrastructure Australia.

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