

ISSUE 1820

“In Support of Progress”

Newsletter

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Budget

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The Budget

The State Budget is presently going through the parliament. I said in a previous newsletter that I thought it was a good budget, and I do not resile from that. Good because it was positive, good because it gained broad support across the community and good because it was spending on much-needed infrastructure. It was a budget of confidence.

But there are some who say it was not a good budget because it was reducing the amount of “hay in the barn” – in other words running down reserves, overestimating its revenues, overcommitting its expenditures or playing some accounting trick to “manipulate” the data.

With such an argument the truth can lie where you want to find it. Let me try and explain by an example. First lets acknowledge a household situation, with a cash in cash out statement (our profit and loss, or P and L), and an asset and liability statement ie a balance sheet (ie what we own and what we owe).

We want to buy a capital item, say a car, for \$40k, and we have \$60K in the bank. The cash appears in our balance sheet as an asset.

Example 1 We buy the car outright with our own cash. Our assets fall by \$40K in cash, but rise again because we now have the car. The car diminishes in value over the years, and this will be reflected in the balance sheet over time. Depending on the purpose of the purchase there may be some tax benefit in declaring the depreciation.

Example 2 We borrow money from the bank to buy the car. Our equity in the car will appear as an asset, and the borrowing will appear as a liability, on the balance sheet, while the loan repayments will be reflected in the P and L (ie cash out).

Example 3 A finance company buys the car and leases it to us (eg a novated lease). We don't own the car so the balance sheet is unaffected. Only the P and L is affected because of the lease fee that is paid.

Example 4 A family member provides the money with a suggestion that sometime in the future the money might be repaid. We buy the car with that cash. Our P and L has been affected (cash in) and so has the balance sheet (we have the car). However the liability (to repay the money) is not declared.

In other words there is more than one way to buy the car, and thus there is more than one way of declaring it. We choose which is the preferred path to take depending on our circumstances at the time.

Note also that we can revalue our assets from time to time, and that such revaluation can affect the balance sheet (ie our net worth).

Depending on which path is taken will determine which argument is presented to say that everything is OK, or for critics to say that things are not OK

So it is with government. Note that in example 4 the "friend" can be a special purpose grant from the Commonwealth - money into the P and L but out as a capital expenditure - or a dividend paid by a GBE such as Hydro Tasmania. This makes the books look better than they really are.

Government also has available to it the ability to source overnight borrowings so that moneys can be borrowed at the end of the financial year (making the books look good), to be repaid the following day.

Arguments are being mounted that the asset base is being depleted over the longer term. And that is true. However, this can reflect and be changed by policy decisions regarding the level of income (NB the GST debate), forward commitments to expenditure (eg salaries), the level of dividend paid from the various government business enterprises, and the level and type of borrowings and of their repayment, all of which are "variables".

Capital expenditure has its own issues, since it is rare for capital projects to come in on time or on budget. Note for example at a Commonwealth level the absolute black hole that is defence expenditure, such as the money proposed for submarines, ships and drones, or at a state level the money being spent on the Royal Hobart Hospital.

No doubt it's easy to get lost in such a debate.

Mayor gone rogue

OH Ron

Last week the interim Lord Mayor of Hobart, Ron Christie, explained that in his personal view the Dark MOFO festival had gone beyond "good taste", that he had received complaints regarding the treatment of religious symbols, that it was no longer "family friendly", and as a result of that the City would need to review the level of funding for the festival. The obvious threat being to reduce funding because the festival had become too "provocative".

I will not stay to reflect on the nature of those symbols, other than to note that mainstream religions have symbolism that is somewhat less than "family friendly", and much of it also derived from other religions.

O NO Ron

Immediately there were howls of protest, from those organising the event to those participating in it, and to the wider community benefiting from it. What was the game-plan, that the mayor, without reference to Council, would kick a successful festival and to raise doubts about its continuance? It was no less "family friendly" than other activities sponsored by the Council. Petitions were gathered, aldermen queried the judgment of the mayor, and most in the community were left bemused. What was he thinking?

NO GO Ron

Undaunted the Mayor then released a further statement, this time broadening his attack to question all mass tourism ventures. No longer was it an issue of upsetting the sensitivities of some people. Now it was much bigger. "Mass tourism is killing our city, eating into our healthy lifestyle". Too many visitors, encouraged by the presence of MONA and the recent visit of the Chinese Premier, were causing traffic jams and homelessness, too many cruise ships, too many festivals etc. Our very way of life was under threat!

At the same time as he was condemning mass tourism he quietly overlooked the fact that the Council was pumping more funds into its own mass festival attraction, the Taste of Tasmania, which arguably is no more "family friendly" than Dark MOFO's WinterFeast.

GO SLOW Ron

The Mayor wants to stop and assess. He wants to consult with the community and "calm the art". The organisers quite rightly state that attempts to do so will only kill off the creativity and the challenge. As Walsh says, he likes to "challenge the centre", the thus ensuring the value of the centre in the first place.

More important, the mayor's complaint of suffering growing pains (eg traffic, housing etc) is in reality a recognition of Council's failing over past years to establish the appropriate infrastructure for the city - irrespective of festivals.

In fact Council has actively promoted a go slow approach to discourage activity in the city, witness the failure of a traffic and parking policy.

NO SHOW Ron

And if this is in reality all about the mayor garnering support for the upcoming Council elections in October, then he will fail. How dare he risk the very essence of what MONA, Dark MOFO and similar events and festivals have to offer, in culture and in tourism, simply to comfort the sensitivities of a conservative minority? Or his own ambitions.

GO HOME Ron

All I can say is that it sure beats having shrinking pains, with less population, less activity, less business less employment and less reason to be here.

Tasmanians have come out from under the collective shell of culture cringe to embrace a new MONA-inspired pride in the place. Sure, it doesn't suit everybody, but then doing nothing also doesn't suit everybody.

What MONA and its offshoots have done has been to encourage a new mood of confidence, which manifests itself in so many ways, and has been the impetus for so much activity other than simply Dark MOFO itself.

If Ron wants to go back to the halcyon days of being a backwater then let him go back there. Ron, enjoy it! Just don't take us with you.

Macquarie Point

The site has been used by Dark MOFO to provide space for certain exhibits and events while the Board considers what to do with the site. I suspect it will be available for Dark MOFO for some time to come, considering the snail-like pace of the Board's deliberations.

Current thinking, for a reconciliation park, has now encouraged the CEO to engage with international experts in designing memorials while considering the erection of an "interim" memorial.

The CEO states that it is "really important that we educate ourselves at the beginning so we can do this properly. The biggest fear is that we get it wrong. It's too big and too important to get it wrong"

Well, it's a long way past "the beginning". All of which says not much is going to happen for some time yet. What a gig!