

Amendment by Labor Councillors to the 08/09 Council budget to not increase Council borrowings to provide funds for the City of Brisbane Investment Corporation – Thursday 19th June 2008.

Chairman: It has been moved by Councillor CAMPBELL, seconded by Councillor FLESSER that on page nine of the budget—the Budget Appropriations and Reserve Transfers Statement under Transfers to or from Reserves—delete line—delete the line ‘Transfers to or from the City of Brisbane Investment Corporation - \$79 million— \$79 million’.

And on page 12 of the budget—the Budgeted Statement of Capital Funding under Sources of Capital Funding, reduce loan borrowings from \$79 million—oh, reduce loan borrowings by \$79,000 - \$79 million, from \$184.139 million to \$109.139 million

Councillor FLESSER: Thank you Madam Chair. I speak in favour of the amendment. Councillor QUIRK has said that you should be borrowing for reserves. If we need some money for the future, why don't we borrow the money when we need it? Why would we borrow the money now and pay interest on that money for it to sit around in a bank?

Madam Chair, why would we do that? This motion—what it does is it makes sure that the ratepayers who are going—they're going to foot the bill for this \$79 million. They're going to foot the bill. They're the ones that are going to be taking a risk with the way that you're going to invest it and your plan to use a City of Brisbane Investment Corporation, Madam Chair I don't think it would pass the test of the ratepayers as to the riskiness of that particular program that you're talking about.

Madam Chair, a couple of times during debate in the last 24 hours, there has been some talk about Program 10. You said that the City of Brisbane Corporation—it's already been passed in Program 10.

Well Madam Chair, that's correct and in Program 10 there is expenses and revenue there and there's some words—so we don't know exactly how much of it is going to the City of Brisbane Investment Corporation but certainly that's there.

Now if the City of Brisbane Investment Corporation want to manage the shares that we have in the Brisbane Airport Corporation which—there was some information we got in the budget session—well that's fine.

I'm not sure what they're going to do because my information is that those shares can't be sold at the moment.

So what this is about is putting ratepayers' money at risk by getting a private group of people to gamble the money—gamble the money on stock markets, gamble the money on property investments.

Madam Chair, is that a prudent thing? Is that a prudent thing for the Brisbane City Council to be doing?

And I remind the Council what happened to some New South Wales councils last year. What they were doing was they were taking advice from all these private investors.

They were taking from private investors and out they were in the market, taking that advice, investing money all over the place and what happened? The sub prime loan crisis hit them really hard.

There were about 7 or 8 councils that lost over \$100 million because of that. Because they were taking advice from these private investors using ratepayers' money and they lost that money.

But what's worse here, they were using money that they had. What's worse here is this proposal is actually to borrow money, to borrow money to go and invest.

If we were a private investor there are some tax advantages. We all know about negative gearing. Madam Chair, the Brisbane City Council does not pay any tax. There are no tax advantages at all.

Councillor QUIRK said we've got no plan. We've moved a number of amendments that add up to \$79 million during the debate in the last couple of days. That's what our plan is.

If you're not prepared to accept those amendments, especially the ones to Program Three—the Moving Brisbane Program and especially the Public Transport Rescue Plan, Madam Chair, well if you're not prepared to support that well that's up to you. That's fine.

But that doesn't mean that we should be borrowing \$79 million just to go and sit around somewhere that can't be used today.

Now we've heard that the money that we borrow—that we're borrowing from the QTC - will be attracting an interest rate of around about seven per cent, maybe a bit more.

We've also heard that the construction cost index in Brisbane is going through the roof. We've heard that construction costs are increasing by at least between 10 and 15 per cent.

So if you combine what we're going to be paying for the interest, the debt servicing costs, how much the construction cost interest is going up each year, Madam Chair why wouldn't we invest the money in Brisbane's infrastructure at the moment especially in the way of buses and in more road infrastructure along the lines of the amendments that we moved yesterday?

I want to make it perfectly clear. Labor councillors do not have a problem with having reserves. But Madam Chair, those reserves come about from surplus funds.

That's what the Federal Government are doing. They've got a futures fund that's using surplus funds. They're not borrowing money to then go and use to invest in the stock market. They are using surplus funds.

Labor councillors have no problem at all with using surplus funds to be put away into reserves. What our problem is, is borrowing money for it to go and sit in an investment corporation and be subject to all the risks of the market that people that we don't know about yet will be subjecting that money to.

Labor councillors are absolutely committed to not supporting the City of Brisbane Investment Corporation borrowing \$79 million on behalf of ratepayers' money, then gambling it on stock markets and property markets.