



Australian Citizens Party

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MEDIA RELEASE

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Tell politicians: Support the plan to turn the CEFC into an emergency national investment bank

Australia is in a dire economic emergency, which must be tackled with the same urgency as the COVID-19 pandemic. Australians should call on their politicians to support Bob Katter's plan to turn the Clean Energy Finance Corporation (CEFC) into an emergency national investment bank that can immediately direct credit into nation-building and job-creating economic development.

At the centre of the emergency is an unemployment crisis from the closure of "non-essential" sectors of the economy, which could be the gravest since the Great Depression. With the national success in containing the pandemic governments may lift restrictions earlier than expected, but even if that's the case, there is real fear that many of the service businesses that employed stood-down workers will not survive.

There is a growing recognition that the pandemic is not the only reason for the crisis, however. Fatally, since the 1980s Australia has destroyed its manufacturing sector, which collapsed from almost 20 per cent of the economy to just 6 per cent today, leaving the nation dependent on foreign imports for necessities, including essential medical equipment.

Equally fatal reforms to the financial system at the same time, including the privatisation of the Commonwealth Bank and all other public banks, put control over the direction of the economy in the hands of the private banks which literally turned the economy upside down. Whereas in 1989 the banks directed 70 per cent of their lending to business and around 20 per cent for mortgages, today just over 30 per cent of bank lending goes to businesses while 65 per cent goes for mortgages—fuelling a housing bubble while starving farms and small business (the nation's biggest employment sector) of credit.

To turn around the economic crisis, Australia must reverse these trends and rapidly increase investment in the productive side of the economy, prioritising manufacturing industries. This task is too urgent and important to rely on the private banks to lead a "market" solution. Rather, the government should lead at this time by employing the wealth of the nation through a national investment bank.

Australia faces a not dissimilar challenge to that which confronted US President Franklin Roosevelt when he took office in 1933. To immediately launch a program of public works to both upgrade the economy and provide desperately needed employment, Roosevelt repurposed an existing public credit institution, the Reconstruction Finance Corporation, as a national investment bank. Likewise, the Citizens Party and Katter's Australian Party are calling for Australia's only existing public credit institution, the CEFC, to be immediately repurposed into an emergency national investment bank to direct credit into nation-building infrastructure and a revival of productive industry. Here's how it can be done.

Amendments

The CEFC can be repurposed into a national investment bank with a few simple amendments to the *Clean Energy Finance Corporation Act 2012*, and revisions to its Investment Mandate that the Energy Minister and Finance Minister can make through regulation.

Currently, the CEFC is authorised to facilitate finance into the clean energy sector. It has already demonstrated a broad interpretation of its powers through investments that go beyond simply financing solar and wind farms to include, for example, gas power generation and waste management systems; nevertheless, its investments must relate to clean energy in some way. The CEFC's powers can be expanded to include lending to more general industries and infrastructure projects through the following amendments to the *CEFC Act* (indicated in *italics*):

Section 3 Object

The object of this Act is to establish the Clean Energy Finance Corporation to facilitate increased flows of finance into the clean energy sector *and such further sectors of the Australian economy in which public and private enterprise are engaged in the production and transportation of tangible economic wealth, including manufacturing, agriculture, construction, mining, public utilities and transportation*

and the financing of nationwide infrastructure projects in water, high-speed rail, and energy among other vital aspects of the economy, to increase Australia's physical-economic productivity and therefore the standard of living of all Australians.

Section 9 Corporation's functions

Add to subsection 1, the following clause:

(c) to directly or indirectly provide credit or make loans to, or contracts with public and private enterprises engaged in the production and transportation of tangible economic wealth, including those involved in manufacturing, agriculture, construction, mining, public utilities and transportation and nationwide infrastructure projects in water, high-speed rail, and energy and such other aspects of the economy as may be determined by the Corporation to be vital, to increase Australia's physical-economic productivity and to provide employment for the Australian workforce and any other functions conferred on the Corporation by this Act or any other Commonwealth law;

Section 55 Borrowing

The CEFC currently has \$10 billion in capital. Section 55 should be amended to allow the government to increase the CEFC's capital to more than \$10 billion; to allow the CEFC to issue bonds; and to make the Commonwealth responsible (i.e. guarantor) for the CEFC's debts.

These amendments will enable the CEFC to issue bonds to Australian superannuation funds and increase its capital to, say, \$50 billion, on which at a conservative lending ratio of 10 to 1 it could lend up to \$500 billion.

More minor amendments to Sections 58 Investment function, 59 Complying investments, 63 Financial assets, and 69 Guarantees will be required to make the rest of the legislation consistent with the above changes.

[Click here to read all the proposed amendments.](#)

Investment Mandate

The CEFC operates under an Investment Mandate determined by the Energy Minister and Finance Minister through regulation, not legislation. For the CEFC to function as a national investment bank, the current Investment Mandate must be revised. Instead of requiring a commercial rate of return on its investments, the revised mandate states: "The Corporation's investments shall not be governed by any monetary benchmark rates of return but rather by an assessment that the investments will increase the general productivity of the economy."

[Click here to read the proposed revised Investment Mandate in full.](#)

With these changes, the CEFC could become a national investment bank for Australia's hour of need. It could lend to federal, state and local government agencies for public energy, water, power, transportation and communications infrastructure projects, and to private entrepreneurs who need finance for ideas to develop new industries.

These changes could be legislated when Parliament sits in May! Forward this release to your local federal and state MPs, federal Senators, local councillors and any other local leaders you can think of and call on them to support this emergency plan to establish a national investment bank to revive the economy.

[Click here to sign and share the Citizens Party's new petition: For national survival, Australia needs a national bank—now!](#)