Australian Citizens Party

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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.

Precedent of Reconstruction Finance Corporation

A precedent for adapting the existing CEFC to invest in expanding essential industries is US President Franklin Roosevelt's masterful use of the Reconstruction Finance Corporation (RFC) to fund the job-creating infrastructure projects that put Americans to work in the Great Depression.

The RFC had been established in January 1932 to try to bail out failing banks and railroads, with limited success. When Roosevelt took office in March 1933, he took advantage of the fact that the RFC was already capitalised by Treasury and didn't require Congress to legislate funds. Intervening in the most troubled parts of the depression-wracked US economy, the RFC:

- stabilised the banking system;
- gave desperately-needed loans to save farmers;
- provided credit to businesses to get the economy moving, which private banks were largely unwilling to do;
- helped save homeowners from eviction by financing the mortgage programs that evolved into the Federal National Mortgage Association (Fannie Mae);
- invested the capital for two export-import banks to finance international trade;
- made loans to federal government agencies providing relief from the depression including the Public Works Administration and the Works Progress Administration, for bridges, tunnels, canals, dams, electrification and sanitation projects, as well as loans for disaster relief, and loans to state and local governments;
- significantly expanded its activities in WWII to fund the war effort.

The Tennessee Valley Authority (TVA) was made possible by financing from the RFC.

The RFC undertook a lot of its lending activities through subsidiaries, some of which still exist today. Australia's CEFC is also authorised to create subsidiaries, useful for specialised lending overseen by experts for agriculture, manufacturing, and infrastructure etc.

Like the RFC was for FDR in 1933, the CEFC is the flexible option to start directing credit into an industrial renaissance immediately. As Australia comes through the pandemic and life and Parliament return to normal, Parliament should legislate a full national bank that can absorb the expanded CEFC.

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 the general public, increasing 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.

Download PDF of all the proposed amendments
https://citizensparty.org.au/amendments_cefc_act.pdf

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.*"

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.

Download PDF of proposed revised Investment Mandate in full
https://citizensparty.org.au/cefc_mandate_direction_amendments.pdf

PROPOSAL: Use CEFC to direct public credit into an urgent industrial expansion

1. The government is borrowing and spending $130 billion to support idle workers of hibernating businesses that are non-essential in this crisis. Australia needs more workers in essential industries, meaning we need more productive industries.

2. The government has appointed Australian former Dow Chemical boss Andrew Liveris to head its new manufacturing taskforce. Liveris has good ideas for a domestic petrochemical industry, a coastal shipping service, and value-adding agricultural production.

3. Australia needs a public credit mechanism to invest in the infrastructure projects and industries that will make the economy productive again. In this period there is little time to legislate for a dedicated public bank, or even for revamping the Reserve Bank or Australia Post to function as public lending institutions.

4. The Commonwealth government does have one public lending institution at its disposal, the CEFC, which invests $10 billion in renewable energy projects.

5. With a few minor amendments that could be passed when Parliament next sits, the CEFC's mandate could be expanded to authorise it to invest in any infrastructure project and industry; its capital could be increased; and it could be authorised to act as a bank and create credit at a conservative lending ratio of 10 to 1.

6. For instance, if the CEFC's capital is increased to $50 billion, it could lend up to $500 billion for projects and new industries that put people to work now. This lending would be backed by the full national wealth—or full faith and credit as Americans would say—of the Commonwealth of Australia.

7. The CEFC operates under an investment mandate set by two ministers through regulation, not legislation. The main change the CEFC would require is for these two government ministers to revise the current investment mandate to authorise lending for infrastructure projects and industries that could be assessed in cooperation with the National Coronavirus Coordination Commission and Andrew Liveris's national manufacturing taskforce.

The CEFC could fund the Bradfield Scheme, right now

15 Apr.—Member for Kennedy Bob Katter has echoed the call to immediately repurpose and recapitalise the Clean Energy Finance Corporation (CEFC) to fund an industrial recovery in Australia.

Mr Katter and the President of his Katter's Australian Party (KAP), his son and Queensland state MP Robbie Katter, declared in a 9 April KAP Facebook post, "We need to start public works projects to build our way out of this Coronavirus Depression."

They called for the CEFC to fund the Bradfield Scheme to divert floodwater from the wettest part of Australia, North Queensland, down into inland Australia where it can irrigate large tracts of fertile land before making its way into Lake Eyre. Recently proposed additions to the original scheme would also see it add water to the Murray-Darling Basin.

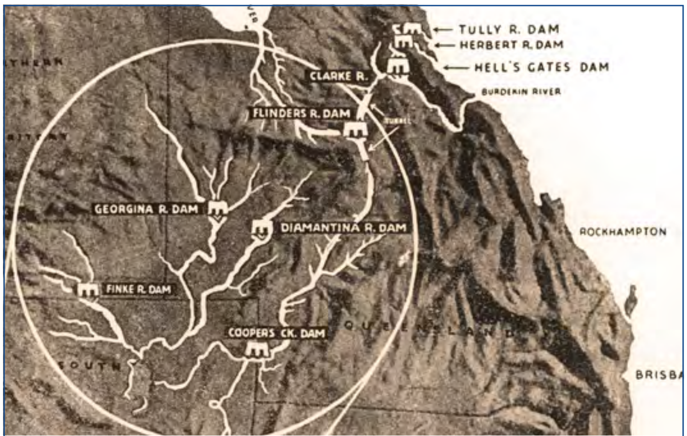
"Nation-building projects are a smart way to help save Australia from an unprecedented financial crisis", the Katters said in their post.

"There is an organisation called the Clean Energy Finance Corporation which is essentially an Australian Government-owned bank that provides finance to projects to reduce carbon emissions. KAP is calling on the Prime Minister to urgently expand the CEFC's role to allow investment in infrastructure and industry. It would enable billions of tax-payer dollars to fund a broad-scale public works program that will redefine Australia's economy.

"A slight change in the CEFC's parameters would result in the long overdue re-establishment of a National Development Bank, the sole aim of which would be to provide reliable finance to projects that will guarantee economic prosperity and employment."

Build the Bradfield now!

Robbie Katter said with a stroke of a pen the Prime Minister



Detail of the original Bradfield Scheme

could redefine Australia's economic future in the face of unprecedented crisis.

"We have long called for the establishment of a state or National Development Bank and with the economy in such peril in the face of the coronavirus shutdown, it's now or never", Robbie Katter said.

"The government are drawing on hundreds of billions of dollars to provide COVID-19 rescue packages, but at the end of the day we all need to pay for this.

"It's not going to happen without action and a new approach to our economy; one that prioritises agriculture and food production, industry, manufacturing, energy production and innovation.

"We know the Federal Government is thinking about this; they just need to do it and finally enable this much-needed Development Bank", Robbie said.

"This would allow us to fund activities beyond the term of COVID-19 to get the economy back on track."

Build Hells Gates Dam!

By Jeremy Beck

The Burdekin River is Australia's largest river by peak discharge volume. It is upon this North Queensland river the nation awaits the construction of Hells Gates Dam, the centrepiece of a new Bradfield Scheme. Floodwaters diverted west of the Great Dividing Range will allow inland Australia to flourish, providing a genuine economic stimulus to address the now-deepening economic depression. Dam construction can start before the COVID-19 pandemic is over as construction workers' health will be far easier to protect than in other industries in busy cities with more person-to-person contact. The Federal and Queensland state governments need to announce that Hells Gates Dam will be built for a Bradfield Scheme and not as a downsized standalone dam. Shovels must hit the ground ASAP.

In his original plan, Dr John Bradfield proposed a 400-foot (122-metre) dam wall for the Hells Gates Dam with the intent to provide enough head of water for interbasin transfer and allow plentiful dam capacity to store the floodwaters. Such vision is now lacking in government. The Morrison and Palaszczuk governments are presently considering a downsized standalone Hells Gates Dam to provide water for a local irrigation expansion and water security for both Charters Towers and Townsville. While this limited proposal will provide economic growth for the region, a larger Hells Gates Dam would provide sufficient water for both sides of the Great Dividing Range. And it would generate hundreds of thousands of jobs.

The standalone Hells Gates Dam

The Commonwealth Government's North Queensland Water Infrastructure Authority (NQWIA) was established on 12 March 2019 to implement a $5.35 billion Hells Gates Dam among other water projects. Townsville Enterprise Limited (TEL) and SMEC Australia Pty Ltd undertook a feasibility study into this dam and irrigation scheme in the Upper Burdekin catchment of Northern Queensland. The Final Feasibility Report of this study, published 14 September 2018, considered a 2,110-GL dam that could supply water to a 50,000-ha irrigated infrastructure scheme, while also providing long-term water security to both Charters Towers and Townsville.

A 1,200 MW pumped hydroelectric scheme and 20-MW solar farm is included in the project. The construction would support $5.7 billion in total output and a $2.3 billion contribution to the gross regional product, which would include $1 billion in income for local workers. Over 12,000 jobs would be created for the construction phase and over 4,000 long-term jobs would follow from the new irrigation areas. This Hells Gates Dam proposal would have a full supply level (FSL) of 372 m AHD (Australian Height Datum, or elevation above mean sea level), and a concrete gravity dam was considered as the best option. The bed level of the dam at the proposed site is 315 m AHD.

The NQWIA reports that the Australian Government has committed $54 million to this Hells Gates Dam Scheme (including the proposed Big Rocks Weir downstream on the Burdekin River). A $24 million business case to test the findings from the 2018 Hells Gates Dam Feasibility Study will provide an opportunity for vested interests to direct a final policy. In July 2019 the Queensland Palaszczuk government committed to sign a bilateral agreement with the Commonwealth to progress further assessment of the $5.35 billion Hells Gates Dam proposal. But even for this downsized dam, foot-dragging is more than apparent.

"We've listened and we will work with the Commonwealth to continue the investigation of the Hells Gates proposal", Queensland Natural Resources Minister Dr Anthony Lynham said in a 31 July 2019 media statement. "However the Palaszczuk Government's bottom line remains that any major investment like this needs to deliver value for money for Queensland taxpayers." Much of this 31 July statement was couched in cautious language rather than celebrating the regional economic potential.

Moreover, in the 2018 Final Feasibility Report, the authors state that "further investigation works are substantial—potentially exceeding $24 million in drilling and study costs, and taking as long as 4 years to complete". Then environmental impact studies and cultural studies are estimated to take several years! The total delay could be "in the realm of 5-10 years", according to the Final Report.

How to build in a Depression

The federal and state governments must stop their dithering and get shovels in the ground this year or in 2021 at the latest. Can't be done? The Tennessee Valley Authority under the leadership of US President Franklin D. Roosevelt proved otherwise, and was the inspiration which led to our Snowy Mountains Scheme and the great dams built by the Tasmanian Hydro-Electric Commission. Faced with the economic crisis of the early 1930s, unemployment jumped to 25 per cent by the time of Roosevelt's inauguration in March 1933. Dams meant jobs, and on 30 September Roosevelt authorised Bonneville Dam under the *National Industrial Recovery Act*. As millions of men sat idle, Roosevelt ensured survey, preliminary planning, and the letting of contracts was fast-tracked so construction work could commence. Amazingly, construction work began on 17 November!

This determination is needed now. Survey, engineering and drafting work must start now and ensure Bradfield's interbasin vision is realised. A downsized standalone Hells Gates Dam will not build us out of the depression, and even some mainstream politicians are starting to understand this reality. Deb Frecklington, Leader of the Liberal National Party in Queensland, is calling to build the revised Bradfield Scheme promoted by Sir Leo Hielscher, former Chairman of the Queensland Treasury Corporation, and Sir Frank Moore. Under this plan, the height of the Hell's Gates Dam would be doubled to over 120 metres (similar to Bradfield's original plan), drawing water from the South Johnstone, Tully, Herbert and Burdekin rivers into a lake potentially twice the size of the Burdekin Falls Dam.

Hielscher and Moore's proposal would cost around $15 billion and see water diverted to the Murray-Darling Basin via the Warrego River rather than Bradfield's plan to send water to Lake Eyre. There's also a 1984 Queensland government-commissioned report by Cameron McNamara et al., which considered a 76-metre high dam at Hells Gates. This revised Bradfield scheme still fulfils Bradfield's vision of interbasin water transfer. With a $2.49 billion net capital cost (1984 estimate), it would produce an annual gross revenue (value of production) of $2.02 billion. Whichever version is adopted, a minimalist approach won't cut it in a depression, and decisions must be made now!