



Building a better future for pyjama-class diners

THERE was something troubling me on the 16 hour flight from New York to Hong Kong last week. It wasn't that the Airline failed to provide pyjamas and forced me to sleep in a carefully tailored suit. The suits I wear are bought off the rack. They start crumpled. After 16 hours in a plane they don't look much worse. If you have to replace one it's as easy as ... well, as easy as buying pyjamas.

I was making my way to the Boao Forum for Asia. I saw Bob Carr there last year. I was trying to get breakfast in a very crowded hotel. Every table was occupied. When Bob walked in, a table was immediately vacated to let him sit down. At first I thought it showed how important he was. But it turned out his very considerate staff had got there early and reserved a place so he wouldn't have to wait. And that is the thing that puzzles me. Why didn't they give him a set of pyjamas when he boarded that horrid first class flight from New York to London?

I chatted with Bob about some developments the Chinese had announced the day before on lending to Local Government. But I couldn't interest him. He was highly agitated about the standard of the food in the breakfast room. It was almost as if he was there to record it all for some sort of subsequent travel diary. It was obvious he wasn't interested in the conference.

The real thing that was troubling me on that long flight to Hong Kong was why countries like the United States do infrastructure so badly when places like Hong Kong do it so well. When I flew out of New York's Kennedy Airport, the Airtrain wasn't working. Passengers had to bus from one Terminal to another. People were squeezed in excess of safety limits, more like battery hens than human beings. The security staff were surly and difficult. The planes were late and the terminal was rundown.

Flying into Hong Kong was like returning to the developed world. The terminal is connected to the city centre by a fast train. Massive purpose-built suspension bridges and tunnels link it by road. Hong Kong reclaimed the land to build the airport from the sea — just as it has for other major developments.

Both these airports are owned by government authorities. Before someone tells you that we need higher taxes to pay for more infrastructure just remember that Hong Kong, with its airport and its first-class Mass Transportation System, has one of the world's lowest tax rates, with a top income tax rate of 17 per cent and no GST.

Hong Kong has a population about the size of NSW. Of course, it has a much higher population density but if you compare it to Sydney or Melbourne — the relevant comparison — its infrastructure is miles ahead. That is something Bob Carr (who presided over total infrastructure failure as NSW Premier) could have contemplated if only he had been able to get a proper meal on one of his many visits as Foreign Minister. The difference is that Hong Kong, like the rest of China, puts its priority on hard infrastructure — roads, ports, bridges, railways. It is lucky for us because all those things require steel that comes from Australian iron ore and coal. Development of China is not just improving lives there. It is improving the standard of living here.

The spending priority of government in Australia, like most western governments, is quite different. Most of our taxes go on income support, pensions, benefits, health, education and the like. It is common to hear Australian politicians talk of "investing" in this or that. It is rarely an investment at all. An investment leads to an asset that can be used over a longer period by different generations. A bridge is an investment. Building a hospital is an investment. Hiring more doctors to treat patients in that hospital is not an investment, it is consumption. It might be good use of public money but when a politician tells you it is an investment they want you to think there will be something lasting left for future generations, something to show for all that spending. In fact the doctors and the teachers will only be there for so long as the money continues. Because the money is consumed, it must be allocated on a recurring basis.

The East is pouring its money into investment and infrastructure. The West is pouring its money into consumption. It means that China is massively industrialising and narrowing the gap on living standards. It means that citizens — particularly the poor — are getting much better services in the West.

Life is easier in the West because of pensions and better health care. Life is harder in the East, but prospects are rapidly improving. If they keep it up who knows? One day the food at Chinese hotels could even be to a standard that Bob Carr would approve of!

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