BUSINESS

Time for future-proofing

WEALTH FUND | Government should seize the moment

RUSSELL EMMERSON

A HIGH Australian dollar and the commodities boom make now the perfect time to future-proof the economy by establishing a sovereign wealth fund, a property conference has been told.

Macquarie Securities global economics head Richard Gibbs said the "opportune" timing should convince the Government to move beyond the distractions of carbon pricing and look at diversifying our economy away from resources.

"It is about our future. It's not about giving our government more revenue to spend; it's about future-proofing the economy," he said.

"It is about taking a point in time when we have an immense amount of purchasing power for the acquisition of foreign assets that are non-resource related.

"We need a sensible debate and consideration of it, not flippant comments from the Treasurer that we're not going to build a national punting fund."

Treasurer Wayne Swan this month dismissed setting up a new sovereign wealth fund but it has been reported that Treasury and the Reserve Bank are considering the issue.

Mr Gibbs said he expected the Reserve Bank to become a vocal supporter of the plan.

UBS Investment Banking real estate head Tim Church told a Property Council conference in Robe yesterday the fund could reap significant profits just through currency movements but only if it was set up soon.

"If the Australian dollar goes back to its long-term average of around US80c (from the current $US1.09), you go and buy US assets that don't move anywhere (pricewise) but the dollar retreats to its long-term average," he said.

"You're up 25 per cent already, so now is a good time to go offshore."

The panel, which included St George chief economist Besa Deda, said that the fund should not ignore domestic investments as a means of "furthering and deepening" Australia's productive infrastructure but should also look to mixed models such as the one used in Norway.

Norway's Government Pension Fund, established in 1990 to collect oil taxes, licenses and dividends, with a view to the eventual dwindling of oil revenues, was valued at $534.4 billion at December 31 and is forecast to reach $1.1 trillion by 2019.

Anvil Capital director Adam Learmonth said the high Australian dollar made external investments the key to short-term gains.

"The rocks aren't going to be there forever and we need to transition ourselves away from the third world country stuff, because that's what they do – they dig rocks out of the ground," he said.

"That's why I'm in favour of the fund having a bigger allocation toward foreign investment while the dollar is high . . . If it's overseas, it's a better diversifier."