

INSIDE CANBERRA
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HON CRAIG EMERSON MP

MINISTER FOR SMALL BUSINESS, INDEPENDENT CONTRACTORS AND
THE SERVICE ECONOMY
MINISTER ASSISTING THE MINISTER FOR FINANCE ON
DEREGULATION

KING: Bad news for politicians this morning. The Prime Minister has said they might not get their full pay rise unless this inflation is brought under control. How will they handle that? And will the Coalition say sorry or not? And why do we have such a big surplus? Just a couple of the issues as we go *Inside Canberra* this morning. Dr Craig Emerson is the Small Business Minister in the Rudd Government, good morning.

EMERSON: Good morning Madonna.

KING: And Steven Ciobo, Coalition Small Business spokesman. Good morning to you Steven.

CIOBO: Good morning Madonna. How are you?

EMERSON: Madonna, if I could just quickly congratulate Steve on his appointment to the Shadow portfolio. We've worked very well as Members of the House of Representatives Committee who interviewed the Governor of the Reserve Bank and did some other good work, so congratulations Steve.

KING: All right then Steve. Can I just get you to talk up much louder. I can't hear a word you're saying.

CIOBO: Sure is that better Madonna?

KING: No, it's no better at all. Can you talk even louder?

CIOBO: No, I'm just about eating the microphone.

KING: Is Craig hogging the microphone off you?

EMERSON: No, no, we've got two.

KING: All right, we might just try and fix this problem and come back to you in just a moment.

Break.

KING: Craig Emerson and Steven Ciobo, how's that?

EMERSON: I'm still here.

CIOBO: And I'm here Madonna. Hopefully you can hear me.

KING: That's much, much better.

CIOBO: Ah good.

KING: Can I start, Dr Craig Emerson, you have a doctorate in economics, am I right?

EMERSON: I do, yes that's right.

KING: Can you answer the question we've had asked this morning? Why does Australia have such a big surplus, although it's not that big, but America doesn't worry about that? They have billions and billions in debt.

EMERSON: Well, Australia mainly has a big surplus because we have a mining boom and company tax receipts are pouring in and have done for many years now. There are also low levels of unemployment so there's less need to pay out unemployment benefits. They're two reasons Madonna. In the US the economy is slowing down a lot there. That means that there's less income tax receipts coming in and it also means that perhaps there's increased obligations to pay unemployment benefits. Also a matter of a war in Iraq which I think is pretty expensive.

KING: So, Andrew from ? was basically right. Why is it a dirty word, the word deficit? Why not use the surplus more?

EMERSON: Well, in Australia we need to build the surplus even stronger, and although some people might say, "well why would you do that?", it is important in the fight against inflation which is then important in the fight against rising interest rates.

KING: What's the equation between the surplus and inflation?

EMERSON: Well, if the Government cuts some things on the spending side, then that is a little bit contractionary. There's less money sloshing around in the system you see. And if there's less money sloshing around the system, there's less spending and if there's less spending, given that Australia is right up against what is called capacity constraints where, we can't supply the goods and services being demanded. That's what's causing inflation now. If we have less spending we'll be taking some of the pressure off inflation and that then takes some of the pressure off interest rates. Why? Because the Reserve Bank targets inflation in its decisions about interest rates, because inflation isn't a good thing.

KING: That's our lesson Economics 101 for today. But can I take you one step further and I will go to you Steve Ciobo in just a minute. Everyone is saying that your tax cuts, \$31 billion, will be inflationary. That's what you say

is your number one priority as a Government, trying to bring it under control. Why not forget the tax cuts?

EMERSON: It was a very clear election commitment. We will keep our election promises. The tax cuts are not simply tax cuts, they do constitute an improvement in the tax system; that is, tax reform.

KING: Even though they will add to inflation?

EMERSON: Which will improve incentives to work harder and longer and to take risks and be more entrepreneurial which is very important for Australia. But what we will then...

KING: Even though they will add to inflation?

EMERSON: But Madonna, what we do then on the other side of the equation is restrain the very, very strong growth in Government spending that has occurred under the previous Coalition Government and that's why Kevin Rudd, Lindsay Tanner, Wayne Swan have been talking about a tough budget. We need to rein in the very strong growth in Government spending.

KING: But is it fair to give \$31 billion worth of tax cuts with one hand and say, "well it's a tough budget, we're going to take it off you in May"?

EMERSON: Well, we did say that we would restrain spending. We have to fight inflation. There were 10 interest rate rises under the previous Government. There was another one yesterday. Family budgets are under pressure, we understand that. So it's important that we do everything we can to take the pressure off inflation.

KING: Steve Ciobo, would the Coalition, or would you support the Government coming out and saying, "look, these tax cuts will add to inflation, further increase interest rates. It would be more appropriate not to deliver them now"?

CIOBO: No, I wouldn't Madonna and there's a few reasons why. Craig, and I understand the reasons why he has some sympathy for his State Labor counterparts, but as Craig mentioned at the outset, he and I have worked on the Economics Committee and questioned the Reserve Bank Governor and there's a couple of points I'd like to make Madonna. The first is that the Australian Government has maintained a Budget surplus at about 1.5 per cent of GDP and the Reserve Bank Governor has said time and time again that a Budget surplus that remains at about 1.5 per cent of GDP is not inflationary. That is, it will not drive up inflation. That's why the Coalition and the Labor Party both committed to tax cuts, because they were not going to take the Budget surplus below that 1.5 per cent of GDP and therefore they were not going to contribute to inflation.

What Craig's omitted to mention this morning though is the very serious and major role that each of the State Labor Governments around Australia are

doing and causing in respect to inflation. And what I'm talking about Madonna, in Queensland for example, the Bligh Labor Government in Queensland over the next couple of years will drive up debt of \$55 billion. Now I'd remind you, when we were elected in 1996 we paid of Labor's \$96 billion of debt. It took us about 10 years. In Queensland alone, the State Labor Government has \$55 billion of debt and we see debt now by the New South Wales Labor Government, we see debt by the Victorian Labor Government. Across Australia State Labor Governments have Australia in debt and that's what's driving inflation.

EMERSON: Madonna, that's just an argument not to proceed with the major infrastructure investments in South East Queensland.

CIOBO: That's not an argument to do that. No. That is not an argument to do that. What the reality is Madonna, and let's take water as an example. For the last 20 years in Queensland, of which Labor has been in power for 18 of those 20 years, not one single dam was built. What's suddenly happened is that each of these State Labor Governments have thought, "gee, we've been sitting on our hands for about a decade or two, it's time we did something". So quite frankly it's disingenuous to say...

KING: All right, I want to move on to something that's a little bit more, you know, debt and surpluses, is a little bit esoteric if you're sitting out there this morning with your interest rate going up. Can I move it a little bit to home loan affordability? And we heard the other day where the Rudd Government, Craig Emerson, is going to help young people into the market. I was watching television last night and someone sitting with me said, "but what about the people who are going to lose their homes now?". Is this adding to the problem? Getting young people into the housing market, but people currently there are the ones being squeezed, with the young families unable to remain.

EMERSON: Well, again Madonna, we inherited a housing affordability problem of very great proportions...

KING: That may be the case but...

EMERSON: Housing affordability has been the lowest in about 30 years. It's a real problem and that's why we need to ensure that we do a modest amount to help young people get into their first homes. Although...

KING: But what about the other people?

EMERSON: ...and we need, that comes straight to the question of interest rates. We need to do whatever we can to put downward pressure on interest rates. There were 10 interest rate rises under the previous government. There's a lot of inflation in the system and so we've announced a five point plan to reduce those inflationary pressures. It will take time though.

KING: We saw Kevin Rudd's summit of 1000 people and the 10 areas or issues that are going to be discussed there. Home loan affordability and, a

passion of mine, how we treat our elderly, the cost of the groceries and so on, aren't listed there as items. Do they come in other categories?

EMERSON: Yeah, sure they do and there's going to be 1000 people, or up to 1000 people contributing ideas. It is, I think, a very good initiative of Kevin's. No government, no political party has a monopoly on ideas.

KING: No, let's not play politics here. What category does home loan affordability come under? What one of those 10?

EMERSON: I haven't got the 10 in front of me Madonna.

KING: You know both of those.

EMERSON: There is any and every capacity. It's not a limited agenda where we're saying you can't talk about particular issues. In fact, Kevin has said quite the opposite, bring forward any and all suggestions. So has Glyn Davis. We have an open mind about this process. No point announcing a process and an opportunity for people to contribute ideas if we've got closed minds to ideas.

KING: Ok, Steven Ciobo, if I can go to you on this question. After 9:30 this morning we're going to catch up with John Baron from News Radio who is in America covering the primary nominations but is there, is there a particular candidate you think would be better for Australia?

CIOBO: Well, I think it's a little difficult for us as Australians to determine that. I mean I've taken a particular interest obviously in the McCain candidacy, but also I've taken a great interest in Barack Obama's candidacy.

KING: Why Barack?

CIOBO: Oh look, well I think as a man he certainly presents well. I've been very interested to hear some of his policies. There are some aspects of Democratic US policy that I'm not supportive of, but by the same token there's a lot of policy on the Republican side that I'm supportive of and there's some that I'm not. So I'm an interested observer. I ultimately think it's going to be McCain for the Republicans and, look I think it's just too close to call between Barack Obama and Hillary.

KING: I'm interested in Barack Obama's campaign. He's pulling in votes by talking of unity, the need for both parties to work together. People seem to be listening to that. Particularly young people in America. Is there too much fighting here and not enough of the Coalition sitting down with Labor and nutting out policies or uniformities between the parties do you think?

CIOBO: Madonna I think, to be honest, my view of Australian politics and I suspect that Craig would agree with me on this, is that probably for about 70 to 80 per cent of the legislation that goes to the Parliament, both the Labor Party and the Coalition are in agreement. Unfortunately there's probably 20

or 30 per cent that we have disagreements on and all too often, and this isn't a heavy stick at the media, but all too often the media only focus on those areas where we disagree rather than the 70 per cent of the time where we agree. So in answer to your question, is there some disagreement? Yes there is. I don't think that's a bad thing. However I do believe that the complete obsession with disagreement, rather than putting any focus on agreement, is a bad thing.

KING: One thing where both parties are working on is this inquiry looking at the cost pressures for older Australians. Would either of you say today that the single age pensions isn't sufficient.

EMERSON: Well, certainly age pensioners are struggling, particularly those, Madonna, who are renting, that don't own their own homes. We still, nevertheless, need to be mindful of the imperative to rein in Government spending so new spending proposals are very difficult to accommodate. We've gone to the election with a set of commitments and that does include for age pensioners an adjustment where their cost of living goes badly out of line with general increases in the cost of living.

KING: You seem to be saying the chance of increasing the single age pension above \$270 a week is unlikely.

EMERSON: What I'm saying is that Labor did take a policy to the election; that there would be, if you like, periodically extra money but would not be built into the ongoing age pension. So there's sort of a bonus, or if you like a recognition of the extra costs that are faced by age pensioners. Why is that? They consume more food than other people, more electricity and so on. We recognised that during the election campaign and we made a commitment that we would help.

KING: What do you mean pensioners eat more food?

EMERSON: As a proportion of their incomes. You see it's older people and poorer people...

KING: A greater proportion of their income.

EMERSON: That's right. Poorer people and older people tend to do that which we need to recognise because it is food prices that are really biting. We understand, you know, what that means to family budgets and that includes the budgets of pensioners.

KING: You're on 612 ABC Brisbane. Inside Canberra this morning with Dr Craig Emerson, Rudd Government Minister for Small Business, and his Opposition counterpart, Steven Ciobo, joining us this morning. Steven, this brings me to the issue of the apology that will go ahead in Parliament next week. Liberals appear divided on some wanting to support the apology and some not. Some wanting a conscience vote. Where do you stand on this one?

CIOBO: Well Madonna I think, I mean I support the notion of an apology. Frankly I'm disappointed that with less than a week to go we still actually haven't had the text released by the Rudd Government. I'm not only disappointed as a Parliamentarian who's expected to vote on this. I'm also disappointed for the people of Australia because quite frankly the Prime Minister should be bringing the Australian people into this discussion and it seems to me there's more interest in watching the Coalition than there is in actually being genuine about this.

KING: Is that a fair point Craig Emerson? That Australians shouldn't be surprised next Wednesday with the wording of the apology, we should have a stake in it?

EMERSON: Well an apology is an apology and that's what we'll be doing. Again, we took that commitment to the election. Kevin Rudd is scheduled to have discussions with the Opposition Leader so there will be...

CIOBO: He won't release the wording though will he?

EMERSON: But the problem on the Coalition side is...

KING: Why won't he release the wording?

EMERSON: Because he will have the meeting with the Opposition Leader. It's going to be sooner rather than later.

CIOBO: There's no wording.

KING: But what about my listeners? Don't they deserve to see the wording of this apology?

EMERSON: Well, I'm sure they will see the wording of the apology and they'll hear the apology being given in the Federal Parliament. It's a great opportunity. It's something that needs to be done. It will build a bridge of respect and then we can move on to practical reconciliation to deal with that 17 year life expectancy gap, with the appalling health standards that Aboriginal people have to endure and the education problems.

KING: How big should the apology be Craig Emerson? Is it specifically to the Stolen Generation or should it be wider than that?

EMERSON: Well, it is specifically designed around the issue of the Stolen Generation. But, you know, as I said we took a commitment to the election on this. It should be of no surprise. I think Steve is actually being a bit disingenuous saying "well, you know, we'll make up our minds when we see the precise wording". There are Coalition Members who are implacably opposed to it. You've got the Coalition Leader and Malcolm Turnbull who have a completely different view on it. You've got hard men of the right like

Bill Heffernan and Shane Stone saying there should be apology. The Coalition on this is confused. They've just lost their way.

KING: Steve Ciobo is it that hard to actually say "I'm sorry"?

CIOBO: But Madonna, this is the point. I mean I'm saddened frankly that the Labor Party sees this as some attempt to wedge the Coalition. Let's...

EMERSON: You're wedging yourselves guys.

CIOBO: Let's look at the reality of this. There's an opportunity now for the Rudd Labor Government to release the wording. I don't understand why it needs to be some state secret. To release the wording so that all Australians understand what it is that we're apologising for and the way in which we're apologising. I believe that that's quite important. I also support those Coalition Members who say "we're not writing a blank cheque. We want to have a look at exactly what it is that is being said and the way in which it's being said". And frankly this Labor Government is more interested in trying to play politics on this issue whilst at the same time trying to pretend that they're being warm-spirited. Let's just release the words, the Coalition had scheduled for today a Party room for the last three weeks, so it hasn't been this prevarication. We've had this meeting scheduled for three weeks, we'll meet today and make a decision. Frankly, it would have been easier Madonna if they'd released the wording instead of playing games.

KING: Okay, you've made that point and we'll move on from there and we'll find out on 612 ABC Brisbane throughout the day what ended as a result of that meeting and next Wednesday that apology is planned for Federal Parliament so stayed tuned to us for that. The big story here, gentlemen, is Wayne Bennett going. Do either of you think the board should have tried to keep him?

EMERSON: His service to the Broncos and Queensland has been enormous. He's won six premierships but the most daunting part of Wayne's record is that every time the Broncos have gotten to the Grand Final under his coaching, they have won. That must be a very big worry to any of the other 13 teams in the competition. The Broncos are so hard to beat when they actually get to the Grand Final. Even if they have a bit of a trough after the State of Origin.

KING: Dr Emerson, with respect, I reckon you've learnt something since being elected to Government where you don't answer the question.

EMERSON: I thought I was giving...

KING: Do you think the board should have tried harder to keep him?

EMERSON: Look, it could well be that Wayne himself, and I can't get into his mind, might have just said "well after this long period, I'm going to go". I imagine, Madonna, it wasn't a matter of money. It would have been a matter

of, you know, I just need to freshen up and perhaps coach a side down in Sydney. So maybe the board did try harder, maybe they did offer higher money, but I imagine with someone like Wayne, it's not really just about the money. It's about coming up with new ideas.

KING: A quick answer to that Steven Ciobo?

CIOBO: Well look, I agree with Craig, Madonna. Who knows what conversations took place but I get the impression Wayne made the decision to go and I think once someone's made that decision I'm not sure you can really keep them.

KING: The other big issue here this morning is a study that came out showing that pregnancy brain really does exist. This is where a woman loses her memory to some extent while pregnant. Are either of you game enough to tell a story from your own experience?

EMERSON: I've never been pregnant but...well, not that I know of. Oh, look you'll accuse me of not answering the question but honestly what mothers go through before having babies and after is just...I think people who haven't had a baby or haven't been around while that's happened just can't even imagine how draining it is, but then again how magnificently rewarding it is.

KING: You're spot on there Craig Emerson. Steven Ciobo though, are you a little braver? You've got some children.

CIOBO: No Madonna, my wife and I haven't had children yet. Who knows, this could be the year, who knows.

KING: I thought...

EMERSON: It's all in front of you mate.

CIOBO: We'll see what happens.

KING: I thought you might have meant pregnancy brain could have been, you know, a big issue.

EMERSON: I'd like to see Steve with sleep deprivation. Night in, night out, it would be great in the Parliament.

CIOBO: Madonna, I've definitely suffered from pregnancy brain but I'm not sure what that's...what's caused that.

KING: Gentlemen, great to talk to you, talk to you again next week.

EMERSON: Thanks Madonna.

CIOBO: Thanks Madonna.

Ends.