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Transcript
2GB BREAKFAST WITH ALAN JONES
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E&OE

Subjects: Small business, insulation scheme.

JONES: Look, so significant has been the correspondence to me over the past couple of months on the plight of small business, I've asked the Federal Minister for Small Business at any time that was suitable to him to join me and he's doing that today Craig Emerson and I'm grateful for that.

Before I go to Craig Emerson, just let me read in part a letter to you recently, and this poor chap has written to me twice.

He said there are around 1.8 million small businesses in Australia - and I'm just taking pieces out of it - employing about 3.5 million people.

He said those businesses are a non-event with no voice. He said small business in Sydney at the moment, especially retail, can only be described as cancerous. He said; we're dying in silence at the rate of two to three a week. This bloke's got a shop in the city. There have been no profits he said to me, since Christmas. He's bleeding to the tune of \$10,000 a month. He says some businesses are losing \$5000 a week.

Now I'm getting this picture from a lot of people, and I'm going to say to Craig Emerson, who's sitting right here beside me and will talk to me in a moment, just go down to The Rocks - just this one place here today - and walk in and out, hope that people don't know that you're the Federal Government Minister for Small Business, and you'll see what I mean.

The rents and the overheads, according to so many people who've written to me are terminal. That was the words that this writer used.

He said shopping centre management is like public servants: they never run a business or pay a cent in rent and wages. But when confronted, these people - his words - hide like mongrel dogs. He said, his income's zero, his cash reserves are almost zero, but he gets a letter from the management of the entity where he's got a business - and I wasn't going to say this, but, I mean, the entity is the Queen Victoria Building, that his rent's going to rise by \$500 a month, 125 bucks a week.

He says if he'd done nothing and employed no-one, and invested his money on the stock market, he'd most probably be half a million dollars in front.

He said small business needs leadership and must wake up and be vocal and visible with a political profile to get noticed or just die off quickly.

Craig Emerson, good morning.

EMERSON: Good morning Alan.

JONES: Good to have you here. Can I just ask you one question? This man is Dr Craig Emerson. He's got a Bachelor of Economics honours degree from the University of Sydney; a PhD in economics from the Australian National University; and he has 17 publications on all sorts of text, but was a Senior Policy Adviser to the former Prime Minister Bob Hawke, and to the former Finance Minister, Peter Walsh.

Now people would think, well, with that CV, you'd have to be a senior person in government. On this health thing for example, it's been trotted out in seven versions, and all the rest of it. What was your input as a senior intellectual within the Government?

EMERSON: I wasn't involved in the health policy debate.

JONES: You weren't?

EMERSON: No, I'm not in Cabinet. The health policy work, obviously, was done by Kevin Rudd, Nicola Roxon and others.

JONES: But wouldn't this go to Caucus? Such dramatic and...

EMERSON: No, not everything goes to Caucus before we make an announcement. Issues go to Cabinet, and then...

JONES: If you were running the show would it go to Caucus?

EMERSON: I think it would be difficult to take this to Caucus and then to the Premiers. This is one of those issues. And it was true under Bob Hawke, it was the same procedure. You'd take these matters to the Premiers. Special Premiers' conferences as they were then called or COAG now usually wouldn't go to Caucus before it went to COAG.

JONES: Does it worry you though that - I mean, I'm talking about your credentials. You've studied this stuff, theoretically studied it. You're a boy from the bush. The lad was born in Baradine in western New South Wales.

But - that when it comes to home insulation or Building the Education Revolution, or \$43 billion for a broadband network, this money is just being thrown around everywhere and it's taxpayers' money and it's borrowed money. We're in debt.

EMERSON: Yes we are in debt and...

JONES: Does that bother you?

EMERSON: If the money is being spent wisely, on infrastructure and...

JONES: Is it?

EMERSON: Well I think it is. I'm a supporter of the National Broadband Network, and this government actually has spent money on nation building infrastructure. And Alan, you've run...

JONES: But they've said of the broadband network...

EMERSON: ...businesses yourself.

JONES: Yes.

EMERSON: But you've gone into debt in order to finance sensible investments. It's not sensible to go into debt just to fund consumption. But there has been a dearth of infrastructure investment in this country over the last decade and this government is prepared to go into debt, to some extent.

We still have the lowest net debt of any advanced country in the world. And I will acknowledge that that is at least partly due to the previous government putting the budget in good position where it wasn't in deficit. But sometimes you need to go into debt to invest in this sort of infrastructure.

JONES: I don't disagree with that principle. I'm worried about money being spent - for example, let me just take, as a Small Business Minister, this stuff that's across my desk overnight, not this last night...

EMERSON: Mmm.

JONES: ... but in February you cancelled quote-unquote, temporarily, the home insulation program. Do you - now there's talk that is going to be cancelled altogether. Do you understand that there are honest business people out there who did the right thing? Here was their government, had a proposal to put insulation in homes. And they thought, hell, this is a lot of homes. You know, over one million homes. It's a \$2.5 billion package. I'll get a properly accredited business. I'll meet all the rules and I'll get into the business of insulation batts.

Now it's scrapped overnight because there was talk about house fires. The Government had been advised about house fires and had been advised about its risks, and has been advised about electrification. But Mr Rudd took no notice of any of that. He's taken responsibility, says it's my job. He took no notice of it.

But businesses are now on the brink of liquidation. I hate the word, but I mean suicide. Craig, what is the Government going to do to these people that have got stock out there that they can't pay for and that no-one wants?

EMERSON: Well, Greg Combet has been working hard on this, and...

JONES: They can't just contact him.

EMERSON: But just let me explain this to your listeners. Last week, 20,000 payments were made. In the coming week, another 6,000 are expected to be made.

JONES: What sort of payments?

EMERSON: These are payments for the rebates for the installation of the insulation. And what is happening is Greg is getting through it with his officials as quickly as possible. But of course checks need to be made to ensure that the insulation was actually installed.

In some cases it's as simple...

JONES: Hang on we're talking about separate things see? I mean, just take your hat off, forget you're in this government and just go back here to a bloke who's got a few brains. What - don't you think, in the relationship between this business and government, these people should be compensated for stuff that they've bought. They're going broke.

EMERSON: Well, I know in the case - I think one that you're talking about, Gerard Quazzola. He contacted me. I think you were referring to him...

JONES: Yes, I was.

EMERSON: ... yesterday morning. I have taken that up with Greg Combet. He is...

JONES: He's owed \$455,000 since last December.

EMERSON: ... processing that claim as quickly as he can. Of course it's a problem. We're not saying it's not a problem. We actually stopped the program because of the problems associated with it.

JONES: But do you - if there are no problems with the program?

EMERSON: And we do understand.

JONES: Even if there were no problems, should a bloke be owed \$455,000 from last November? It's 22 April.

EMERSON: Well the process that's going on is that the checks do need to be made to ensure that. And I'm not in any way making a case about Insulation Express which is the people that we're talking about here, but they need to ensure that the insulation was installed, that the invoices are correctly made out. One of the problems is that a lot of the invoices are not completed properly. Now I'm not saying that that's the fault of the people. It just means that if you're processing payments you need to take that into account.

JONES: Quite. But let me come back to my other point. Forget that side of it. That's the people who've done the work, and you're saying Combet's trying to accelerate payment for those people. What about the people who've had their business stopped in their tracks and they're stuck out there with 70,000 and 80,000 square metres of batt insulation that has got no market. No one wants it. All as the result of a government stuffing up a program and these blokes are going broke. They've used their house as collateral. Presumably banks' are going to come walk in and take their houses over. Doesn't the Government have any responsibility to these people?

EMERSON: And I have raised that sort of issue. This particular one, also one in my own electorate in the suburb of Kingston...

JONES: With whom?

EMERSON: ...with Greg Combet, and they are...

JONES: What about Mr Rudd?

EMERSON: ...going through it as quickly as possible. Greg is actually doing the work in getting through these invoices and looking...

JONES: No but you're talking invoices.

EMERSON: I know, I know. But I'm saying and looking at these issues in terms of holding stock that at this point in time...

JONES: So what's going to happen? What can happen? What hope can you give? You're the Small Business Minister and these businesses have gone broke. They're going to lose their homes. Their home was the collateral for their business.

EMERSON: And what I can do is what I've done. Raised it with Greg Combet. He's looking personally at these particular cases. There is a range of cases; he's looking personally at these cases. He's obviously concerned about the welfare of these small businesses and larger businesses. He's doing everything he can as quickly as possible, but also prudently. And it's important and you would be criticising and we would understand that you would if the money was just sent out the door without checking that the insulation was installed or in this case you know, having a good consideration of the issue, of the accumulation of bats.

JONES: But the reason you had to call it off was that your Prime Minister wasn't prudent and you know yourself, you're the Minister for Small Business. You're only the Assistant Minister for Small Business, this bloke's a control freak and so he wants to control everything and he was advised that there were risks of safety. He was advised that there could be electrification in roofs.

When people started dying and houses burned down, they've called the whole show off because they weren't, to use your words, prudent and fastidious about detail. But he did say, the Prime Minister, it would be resumed on 1 July. Now there's talk today in the newspapers, and I guess it's true, that the whole scheme is going to be cancelled. I just want to ask you once more Craig; you're the Small Business Minister and you're the hope of the side. What is to happen to small businesses out there that are going to go broke as a result of a government twice giving a commitment and twice backtracking on that commitment?

EMERSON: Well obviously there's newspaper reports today. I can't comment on those. That is speculation. What I can do is what I've done. Whenever an issue has been drawn to my attention I then directly draw it to the attention of Greg Combet who is working as hard and as fast as he possibly can. But ensuring that he gets it right.

JONES: But don't you think you should say to Mr Rudd today, look my attention has been drawn to the fact. I know you're talking all this other stuff, but there are businesses out there going to go down the tube. This is going to have a very significant political fall out.

Shouldn't the Government be saying forget Greg Combet he's handling the invoices. We're talking about the businesses out there that have got stock and they can't get rid of it and can't...

EMERSON: And Greg Combet knows about that issue too Alan. And the person...

JONES: Well the people I speak to say they can't get through. They can't get through.

EMERSON: The person who is dealing with this is Greg. I am in constant touch with him and he's working through it as quickly as he possibly can.

JONES: Okay something else. Look, minutes from the Reserve Bank, the April meeting of the Reserve Bank, which I can't believe quite frankly, but anyway it says some lending rates, this is what the minutes say, were still a little below average. Members expect they would probably need to rise further. Lending rates were below average.

What the hell does the board of the Reserve Bank mean below average? Our interest rates are now higher than those of every other developed country; New Zealand two and a half per cent, the Euro zone one per cent, the UK 0.5, the United States 0.25, Canada 0.25. We're four per cent and going north. Do you know that businesses are just crippling? I mean businesses are paying two and three per cent each points about that.

EMERSON: Yep.

JONES: They're on their knees.

EMERSON: Yep, and what they mean by average is not compared with the United States or in New Zealand or France or anywhere, but compared with the historic average.

JONES: Well the historic average here, small business is now paying 0.38 of a per cent more now than they have in the average of the last 10 years.

EMERSON: What they're talking about is the Reserve Bank cash rate which is below the long term average. It was reduced to what the Reserve Bank itself called 'emergency lows'. And the Reserve Bank has said that it over time will need to return those interest rates toward the average long term rate. Why? Because of the strengthening Australian economy.

JONES: Well the strength of the Australia economy is fine for the mining sector and banking sector. But down there at the Queen Victoria Building and at The Rocks it's on its knees.

EMERSON: And I agree with you. I think small business was the first into the economic slowdown and they're probably the last out of the economic slowdown.

JONES: But what do you say to these people about we're jacking up interest rates again? And the RBA have got it wrong again. They're saying that the economy is such and the growth is such. The growth is in the mining sector. It's not in the retail sector; it's not in the housing sector, the building housing sector...

EMERSON: And this is one of the problems with the two-speed economy. This is one of the problems with booming terms of trade that is commodity export prices and booming house prices in a number of cities. That itself can be inflationary, so they need to deal with that. Your point is well made.

The people who feel the consequences of that are often the little people, often the small businesses. But you would be horrified Alan, you'd be horrified if the Government started telling the Reserve Bank, which was made and formalised as an independent authority by Peter Costello as Treasurer. If we started telling the Reserve Bank what to do with interest rates...

JONES: ...I know, but you're entitled to an opinion about it and you're entitled to be out there battling away. Interest rates are going to go up again. They've gone up five times in the last six settings, retail sales in February were down 1.4 per cent, building approvals 3.3 per cent in February. They've now gone down for five successive months and you've got some brain dead person in the Reserve Bank saying the economy is terrific. So much so we've got to stick up interest rates, and these people are paying three and four percentage points above the cash rate.

EMERSON: That's right and you're always talking about building approvals and so on. And therein lies the case for the economic stimulus, which the Coalition would withdraw.

JONES: Well the Reserve Bank is telling you to pull back on the stimulus. They're saying that is...

EMERSON: We are pulling back on the stimulus.

JONES: They're saying it's overheating the economy and if you overheat the economy interest rates will go up.

EMERSON: The Reserve Bank has not criticised the stimulus, it has not. And in fact, it has said along with the Treasury and along with other authorities including as recently as today by the International Monetary Fund...

JONES: The Reserve Bank, hang on Craig, it said it would be prudent not to delay policy adjustment.

EMERSON: And we're not delaying policy adjustment.

JONES: Policy adjustment means stop spending.

EMERSON: It doesn't mean stop spending. We are reducing the stimulus. It is being gradually withdrawn but it's not going to be withdrawn overnight because those tradies, those retailers, the very people you're talking about would suffer if that happened and that is Tony Abbott's prescription.

JONES: Okay, I'd like to talk to you more. I hope we can talk again.

EMERSON: Love to.

JONES: I just want you to leave with this one understanding that small business is really, really struggling.

EMERSON: I understand that and I've been talking to them regularly. To representative organisations, do you know that there are seven different retail representative organisations but I also talk to individual small businesses...

JONES: I understand.

EMERSON: ...including in the Queen Victoria Building.

JONES: Okay, good to talk to you. Thanks for your time.

EMERSON: Thanks Alan. Thanks mate.

JONES: Dr Craig Emerson.

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