



**THE HON DR CRAIG EMERSON MP**  
MINISTER FOR SMALL BUSINESS, INDEPENDENT CONTRACTORS AND  
THE SERVICE ECONOMY  
MINISTER FOR COMPETITION POLICY AND CONSUMER AFFAIRS  
MINISTER ASSISTING THE MINISTER FOR FINANCE ON  
DEREGULATION

Transcript  
4BC DRIVE WITH MICHAEL SMITH  
Monday, 3 May 2010

E&OE

---

*Subjects: The Henry tax review; home insulation program.*

---

**SMITH:** Now, the government announced over the weekend its response to the Henry review on taxation. One of the things that Wayne Swan made a big point of was that, in his view, this country can't afford to make the same blue that John Howard did, according to Mr Swan, when we had a commodity boom under Mr Howard's regime. Mr Swan made the point that Mr Howard frittered that money away and that his government won't fritter the money that comes from commodity boom mark 2 away.

And so they've put in place a new tax on miners that should raise, according to the government, about \$9 billion a year, but what are they going to do with it? Give it away.

The Small Business Minister Dr Craig Emerson, has been good enough to have a chat with us. Craig, g'day.

**EMERSON:** G'day Michael.

**SMITH:** Why don't you use this money to pay down your debt?

**EMERSON:** We're using it to provide tax cuts for small business which is a very good investment in this country's future, in jobs and in the small businesses that deserve some recognition from a government for the efforts that they've gone to, particularly

during the economic slow down in keeping their staff on. And I'm sure that small businesses will welcome the reductions in the company tax rate for those that are incorporated and, for all small businesses, the ability to write off any expenditure in assets worth up to \$5000 on the spot [indistinct]...

**SMITH:** [Interrupts] Okay Craig, let's come to that...

**EMERSON:** ...do that.

**SMITH:** ...in a sec. You avoided answering the question. Why don't you use this money to pay down your debt?

**EMERSON:** We have a debt reduction strategy and what we've said, this is a tax reform policy, and that means reforming several taxes including small business taxation. There is...

**SMITH:** [Interrupts] Well, it's not really a reform, it's a new tax, isn't it? I mean, it's just giving you more money.

**EMERSON:** I reckon a reduction in a company tax rate from 30 per cent to 28 per cent is a tax reduction and...

**SMITH:** It doesn't go as far as Dr Henry suggested though, does it?

**EMERSON:** Well, hold on, you just changed your tack. You said it shouldn't be used for that. You said it should be used to run down debt. I'm saying it's a reduction from 30 to 28 cents in the dollar. There's a head-start for small business compared with larger businesses that this will start on 1 July 2012. And, for all businesses, this capital allowance which allows them to write off assets like lap tops, all that sort of office furniture immediately in the year in which they buy it.

**SMITH:** What is your debt reduction strategy?

**EMERSON:** It is all set out in the budget from last year. That debt reduction strategy involves, amongst other things, putting a cap on expenditure growth of two per cent once the economy returns to trend rates of economic growth.

**SMITH:** I wanted to get to that, a cap on two per cent growth in government spending.

**EMERSON:** Yeah.

**SMITH:** There's nothing here about reducing the size of government or reducing the overall tax take out of the economy. In fact, if anything, I just get the sense that it's growing.

**EMERSON:** Well, if you want to talk about high taxation look no further than the Howard government - than the Howard Liberal government. From 2002, 2003, 2004, 2005, 2006 and 2007 it was the highest taxing government in Australia's history and we are a lower taxing government than the Howard Liberal government.

**SMITH:** At the heart of that - look, I don't disagree with you either, Craig, about the growth in the amount of money taken out of the economy by way of tax, you know, in both the Howard government and in your regime as well. I just think - at what point does it stop? At what point does somebody like Mr Henry stick his hand up and say, we just - there's far too much in, you know, middle class welfare and that of thing. The size of government has just got far too large, we're going to say, no enough is enough, we're going to start to reduce it and start to pay down debt.

**EMERSON:** Well, we have had in the last year or two, the deepest global recession since the Great Depression. And it was, in fact, the stimulus spending that contributed so significantly to Australia staying out of that recession - out of that global recession - one of the very few developed countries that have done so. So they're pretty unusual circumstances. The deepest recession since the Great Depression in - 75 years ago and then we have in place a debt reduction strategy.

Now, the coalition's view is that, for example, the Building the Education Revolution program should now be terminated. In my electorate, people are very happy that there has been that investment that has not only supported the schools and the kids but also the small businesses who were really struggling during that economic downturn.

**SMITH:** Mate, I tell you what Craig, I nearly choked on my Weeties when I heard the treasurer Wayne Swan interview. He's been on several outlets today and he said that at the G20 ministers meeting he was asked, how is it that Australia has such a low debt and has come out of the economic - you know, the recession that other countries have suffered? And he says, it's because of our stimulus spending. That's just not true. It's because you started off with a huge surplus, that's why we've got such a low debt, relatively, to other countries, isn't it?

**EMERSON:** Well, it is true and I've said many times that the previous government ran surpluses in the last few years. That's true and I've acknowledged that.

**SMITH:** And that's a good thing.

**EMERSON:** And I think that being in surplus during a mining boom is not a bad situation to be. It was raining money from China but I do acknowledge that the previous government ran surpluses in those last few years. We think...

**SMITH:** See, which brings us, Craig...

**EMERSON:** ...that they should have invested in infrastructure. We think they should have invested in training. They didn't do much of that. We are investing in training - 711,000 training places over five years - and we're investing in nation building infrastructure. That is one of the key differences between us and the coalition.

**SMITH:** Yeah, see that - we come back to that first question which is we are going into another commodity boom, hopefully. Fingers crossed that it all transpires that way and the surplus that you just referred to that the Howard government was able to create in the last boom we're not going to have this time around. You're going to hand this money back as tax cuts.

**EMERSON:** Well, as I say, we've got a debt reduction strategy and the previous government, as I say, did have surpluses but it failed to invest in the infrastructure bottlenecks. And including, I might say in southeast Queensland, with commonwealth coalition ministers repeatedly saying and now a shadow minister is continuing to say, that it is not the role of the commonwealth to invest in infrastructure.

Well, tell that to people of southeast Queensland because obviously we have very serious infrastructure needs there and we have infrastructure needs for our mining investments as well since [indistinct]...

**SMITH:** [Interrupts] Yeah, too right we do. Mate, in Queensland we do and we've got an \$85 billion state debt on top of your debt. Craig, I won't [laughs]...

**EMERSON:** Well, let's say - the argument there though, Michael, would be that a business should never go into debt - should never go into debt to invest in the future. Well, if that were the attitude of a business it wouldn't remain a business for very long.

Businesses go into debt where they can see, as a result of it so doing, productive investments coming out. And that's what we're doing, investing productively, investing in the productivity of this country both through physical infrastructure like roads and ports and so on but also in the talents of our people through the education revolution and these 711,000 training places.

**SMITH:** Craig, let's just let your constituency - which is small business, the area that you're responsible for - understand precisely what these changes are going to mean to them and when they cut in.

**EMERSON:** Okay. Yeah, sure. The first changes for those businesses that are companies - and there's 720,000 of those - they will get a cut in the company tax rate from 30 cents in the dollar to 28 cents in the dollar beginning on 1 July 2012.

For all businesses, whether they are companies or sole traders or partnerships, they will be able to deduct immediately the cost of any asset that they buy in the year in which they buy it, up to a value of \$5000 per asset.

So I'm thinking here, Michael, about laptops, personal computers, office furniture. If you're a hairdresser, perhaps new mirrors, new equipment, anything worth less than \$5000 - valued at less than \$5000, you can write off in the year in which you bought it. Instead of spreading the deductions over several years which gives you an immediate cash flow boost compared with the existing situation.

**SMITH:** Which is similar to what you did by way of stimulus during the GFC.

**EMERSON:** It is and what we did with the small business tax break was to stimulate business investment during an economic downturn. Now, as we're gradually moving into the recovery stage, we're encouraging again from mid 2012 onwards, small businesses who want to invest in their own productive capacity to be able to get to do that and in so doing getting a cash flow boost.

**SMITH:** So that's the sum total of the changes?

**EMERSON:** They're the main changes but...

**SMITH:** Craig...

**EMERSON:** ...there is a simplification if I - sorry, if I could just add one more? For assets worth more than \$5000, if - other than very, very long lived assets they can all be put into one pool, Michael, and depreciated at a single depreciation rate of 30 cents in the dollar. And that means less paperwork. It is a simplification and when I talk to small businesses, the main thing they say to me about tax is they'd like it simplified. That's what this does.

**SMITH:** Craig, I've got to ask you a question that's sort of burning away at me. You said that you're investing in infrastructure. Why should we have confidence in your ability to do it when your government stuffed up something so simple as putting insulation

into roofs throughout the country? Four people dead, more than 120 house fires, 250,000 of the houses that had insulation installed have suspect insulation, a program that manifestly was a disaster. Tell us why we should believe you.

**EMERSON:** Infrastructure Australia is an authority that's been set up by this government in recognition of the fact that the Rudd government is willing to invest in nation building infrastructure. Infrastructure Australia is chaired by Sir Rod Eddington and they go through the analyses to identify those infrastructure needs that are the most compelling around Australia. And as a consequence of those processes, we have been investing in nation building infrastructure to boost the productive capacity of the economy and, at the same time, importantly to ease problems such as traffic congestion.

**SMITH:** Is that like the fact that that's a separate body? You didn't say - you didn't lay out your own credentials. Is that sort of recognition that within your own cabinet, within the government, you just don't have the wherewithal?

**EMERSON:** No. Infrastructure Australia actually works with the government so it's not, you know, a completely separate organisation sitting up there on Mars that has no relationship with the government. It actually prioritises investment proposals - infrastructure investment proposals - makes recommendations to the government based on the work that it does. But it also collaborates with the government in that process.

**SMITH:** You see, Craig, you're the Small Business Minister and I've got a heap of emails in front of me of small businesses who have been just stuffed - completely broken - in this insulation caper. What do you say to them?

**EMERSON:** Well, we've been through that and as - you know, there is absolutely...

**SMITH:** [Interrupts] Well, no, they're going through it now, mate.

**EMERSON:** Yeah, I know that and I know - and I've said many, many times, that there are obviously substantial problems with this program and that is why it's been terminated. I've been working with Greg Combet on the sorts of problems that you're saying that you're getting expressed through emails. I am too.

**SMITH:** Which is unpaid invoices.

**EMERSON:** There's people ringing me.

**SMITH:** Do you know what I mean, right?

**EMERSON:** Yeah, I do and we've got to do it but we've got to do it right. And one of the problems is that in order to send the money you've got to be absolutely sure that the work was done and that it's properly invoiced.

We have had some problems as simple as people not filling out their invoices properly. Now, you know, it's - you legitimately would be saying, oh the Government's been sending money to operators even though they haven't submitted proper invoices. It's also been sending money to operators who don't have a good reputation, so we have to do that right. That takes time.

Greg Combet is working his butt off because we do recognise the extreme pressure that some of these businesses are under.

**SMITH:** They'll go under, that's it.

**EMERSON:** And, I guess, we're all talking here, Michael, about the reputable ones. We're not spending too much time trying to support the disreputable ones.

**SMITH:** No, of course. Righto Craig, I'll let you go but we'll chat again soon, hey?

**EMERSON:** Okay, any time. Thanks Michael.

**SMITH:** Dr Craig Emerson who's the Minister for Small Business and the Service Economy and Consumer Affairs et cetera. And I hope you got something out of that if you are in small business.

**ENDS**