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Transcript
2CC BREAKFAST WITH MARK PARTON
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E&OE

Subjects: Interest rate rise, superannuation changes, Newspoll, tobacco tax.

PARTON: Dr Craig Emerson, Federal Minister for Small Business, Competition Policy and Consumer Affairs joins us as he does most Wednesday mornings. G'day Craig.

EMERSON: G'day Mark.

PARTON: It's interesting times we're in Craig.

EMERSON: Yeah, there's certainly a fair bit of news about it. It's good, lots happening.

PARTON: There is, there is. And I don't know where to start? Can I start with the interest rate? It went up yesterday, and it's fascinating with interest rates that basically what the Reserve Bank was declaring yesterday is that the economy is really strong. I'm buggered if I know, it doesn't matter who's in power, buggered if I know how that translates to the government of the day getting beaten with a big stick over it.

EMERSON: Well the way the Reserve Bank thinks is that if the economy is strong and getting stronger they start worrying about inflation and maybe house prices too. I noticed here in Canberra that house prices have risen nearly 21 per cent in a year.

PARTON: It's absurd. Absurd.

EMERSON: I can't say with certainty, but I imagine that they look at house prices; they look at general economic conditions. And I did read their report yesterday and they said they've now returned interest rates to average levels. Your listeners might remember they said during the depths of the economic slowdown that they'd reduced interest rates to what they called 'emergency lows'. And then they've been saying the recovery is gaining some momentum, that they would return interest rates to average levels. They said yesterday that that's what they have now done.

PARTON: But you've got to concede, there will be some political heat out of that for the government.

EMERSON: No doubt about it. Not only for households who feel the squeeze; it certainly squeezes household budgets. Not only the interest rate rise but combine that with the rising house prices, so it's very difficult for first home owners.

PARTON: When they want to blame someone they'll look at you.

EMERSON: They tend to not take it out on the Reserve Bank, but they take it out on governments. And small businesses are feeling the squeeze as well. And I'm acutely aware of that as Minister for Small Business.

PARTON: Small business, there's a number of them bleating over the superannuation measures that were announced by the government on the weekend. Increasing the superannuation guarantee from 9 to 12 per cent, and some are suggesting that this could be the straw that breaks the camel's back for some. What's your response to that?

EMERSON: I've heard Joe Hockey saying this will be a devastating blow to small business so I got the old abacus out this morning Mark. And if you're paying someone \$30 an hour, then this would add 7½ cents to that hourly rate in 2013-14, and 15 cents to that hourly rate in the subsequent year. And so Joe Hockey is saying this will devastate small business? Seven and a half cents onto a \$30 wage bill and 15 cents in the second year. The truth is the Coalition has never supported superannuation for working Australians; they opposed it when Hawke and Keating introduced it and got it up to nine per cent. John Howard said at the change of government in 1996 that he would honour the budget provision for this to go to 12 per cent. As soon as he got in he broke that promise because they don't believe that working Australians should have superannuation. We do.

PARTON: I support what you're doing there. I think it's a good move. I am worried about what's going on in the mining area. I would've loved to be a fly on the wall at that dinner party discussion last night. How much money has been wiped off the stock market value of mining companies? It's got to be in the region of \$15 billion of something is it?

EMERSON: If I could tell a very quick story. I started working with the Hawke Labor government way back in 1984. I got a job offer from Senator Peter Walsh to come over and work on implementing a resource rent tax. We introduced that resource rent tax for the petroleum industry and it's been in place at the rate of 40 cents for off-shore petroleum for 27 years and the industry supports that tax. At the time, Mark, I can tell you that the industry was saying this is the end of petroleum exploration in this country. Well under the resource rent tax the massive Gorgon gas project is going ahead, the Pluto project is going ahead under a 40 per cent super profits tax.

PARTON: But surely when that happened we didn't have the sort of effect of the markets we've had in the last two days? Because you can't argue with the sort of money that has changed hands here, and the money that has been lost on the stock market in these mining stocks. It's phenomenal.

EMERSON: Twenty-seven years ago I can't remember where the stock market was at. But I can remember the very strong complaints and dire predictions of industry saying 'this is the end of the world as we know it, this is the end of petroleum and exploration in this country'. They supported the tax a couple of years later, in fact made some recommendations to us in 1989 to implement, in full, the plan we proposed in 1984. They wanted some modifications we so modified it, then in 1989 they said 'actually you were right the first time', and we modified it ever so slightly back then. But this tax, John Howard said 'no, we're completely opposed to this tax'. They opposed it in the Senate and then proceeded when he was in government to collect \$16 billion from it. They didn't get rid of it Mark. If they really have the courage of their convictions why didn't the Liberals get rid of the petroleum resource rent tax?

PARTON: Well I guess that's another question.

Dr Craig Emerson is with us, the Federal Minister for Small Business, Competition Policy and Consumer Affairs. I can't leave this morning without mentioning the Newspoll, because it was a bit interesting. Was it rogue poll do you think Craig?

EMERSON: We can't be commentators on this. I think you're probably better placed to make commentary on it. But what it does remind every

Australian is that if 2 or 3 out of every 100 Australians change their vote they get Tony Abbott. They get Workchoices. They don't get health reform. They don't get the small business tax breaks that are provided for in this tax reform package. So they're the sorts of distinctions between the Rudd Government and a Tony Abbott-led opposition. What these poll numbers tell us is that not many people have to change their mind in order to get Tony Abbott and Workchoices.

PARTON: Hypothetically, how do you think Federal Labor would change under the leadership of Julia Gillard?

EMERSON: There's no issue there. We're all supportive of our Prime Minister Kevin Rudd, who's making some tough decisions. And one of those decisions obviously was the increase in tobacco tax. Personally, although many of my constituents are smokers, I thought that that was a good move as a part of an overall health reform package, because we need to fund those health reforms. And frankly, smoking kills people. It kills people. My mother died a very slow and agonising death from emphysema. And I didn't see when I was a little kid growing up watching my mother gradually wither away, didn't see a lot of virtue in smoking. So I don't see that there is anything particularly wrong with deterring people from smoking and funding a good health reform package.

PARTON: Wonderful to have you on the program, thanks very much.

EMERSON: Okay, thanks Mark.

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