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Transcript
ABC 612 Brisbane, Madonna King

12 May 2010

E&OE

Subjects: Budget, UK election, asylum seekers.

- KING:** What a day to go Inside Canberra. You've heard me talk to Wayne Swan and Joe Hockey. The gloves will be on now, though. In one corner, the Deputy Coalition Senate Leader and Opposition Attorney-General George Brandis. In the other, Dr Craig Emerson, Minister for Small Business, Independent Contractors and the Service Economy, Minister Assisting the Finance Minister on Deregulation and Minister for Competition Policy and Consumer Affairs. Gentlemen, good morning.
- BRANDIS:** Good morning, Madonna. How are you? How are you, Craig?
- EMERSON:** I'm very well on a chilly Canberra morning. Good morning to you, Madonna, and to you, George.
- BRANDIS:** I was thinking, Madonna, when you were reciting all of Craig's titles that it won't be too long before you'll be able to call him the Deputy Leader in the Gillard Government.
- EMERSON:** George, you occupy the exalted position of Deputy Leader of the Opposition in the Senate, but I would be very happy to serve, as I am, in the Rudd government's ...
- BRANDIS:** I think between now and the election, Craig, we might just see all...

EMERSON: All the leadership problems are on your side. They're all on your side.

BRANDIS: We don't - our leader is very popular, Craig. Yours has been in free fall for weeks.

KING: All right.

EMERSON: I reckon you'll find ours is more popular than yours, George. But, anyway, the Australian people will decide.

KING: All right. Well, let's come back to that in just a moment. Remember I will ask a question in the next 20 minutes or so. If you call, and the sixth caller through after I ask you the question, you'll have heard the answer with me speaking to Dr Craig Emerson and Senator George Brandis, you will get to pick a date between now and April next year, and if that's the date the Government goes to the polls, you will win \$300 worth of ABC prizes.

It's not just the budget, gentlemen, though I want to talk about this morning. We're going to start with that, though. And the thing that is on people's minds is this miners' tax.

Craig Emerson, this super profits tax or resource tax. Can you explain to me when the tax kicks in?

EMERSON: Well, it is true, as you were saying before we came on air, that all costs are deductible; that is, exploration costs and mineral development costs. That makes it a very separate and much better tax than royalties.

And there are two basic types of royalties. One is a royalty based on the number of tonnes of the mineral that is extracted, another one is based on the value of the mineral that is extracted, neither of which take account of costs, such as exploration and development costs. And that's why this is a profits-based tax or in the jargon, a rent-based tax.

KING: Where's this six per cent kick in?

EMERSON: This six per cent relates to where there are undeducted costs, that is, that there is not sufficient revenue in a particular year from a mining company's earnings against which to claim all the costs. So it's the carrying forward of undeducted costs into the next year, and that is at the long term bond rate.

KING: Many people this morning are saying why would a mining company take the risks it does if that's the consequence?

EMERSON: Well, the tax is levied at the rate of 40 per cent, not at 100 per cent. It still allows mining companies to earn a reasonable profit...

BRANDIS: Thank goodness for that.

EMERSON: ...but at the same time gives the community a reasonable share, a fair share, of the benefits of mineral development in this country. And there is one particular feature of mineral development in this country that sets it apart from other industries, and that is the people of Australia, the people of Australia own those minerals.

KING: All right. We keep hearing that, but the question seems to be - the crux of this is whether this will create jobs in Australia or whether it will lead to the loss of jobs. And in Queensland, we are confused because Anna Bligh has said this week that this makes her commitment to creating 100,000 jobs in her first term more difficult, Wayne Swan this morning saying this is likely to create jobs, not lose jobs. Who is right and who is wrong?

EMERSON: Well, the economic modelling done for the Henry review indicates that there would be extra incentives to explore and develop mineral resources, particularly compared with the royalty regime that I describe, because the royalties do not take any account of the cost of exploring for or developing those resources.

KING: George Brandis, do you agree with that?

BRANDIS: No, I don't. I think this tax on one of Australia's most successful industries, which is also the industry - which by the way underwrites a lot of people's superannuation funds because they are weighted towards mining shares these days, is one of the most stupid and reckless proposals I have ever seen. This is way worse than anything the Whitlam Government tried to do way back in the 1970s when Rex Connor was the Minister for Mines and Energy.

What it will do, as Anna Bligh rightly said, it will destroy jobs, particularly in the big resources states of Queensland and Western Australia.

KING: But aren't you going to say that anyway because you're with the Coalition?

BRANDIS: Well, it will. It will - I mean, what do your listeners think is likely to happen, Madonna, when Australia goes from - in a very internationally competitive industry - don't forget the mining industry is intensely internationally competitive and depends upon huge capital investment decisions for years and

sometimes decades into the future being made by these mining companies.

Now, what do you think is likely to happen when Australia moves from being in a competitive position internationally to imposing the biggest, more oppressive tax regime in the world on Australian mining? Of course mining companies are going to reconsider their investments and reconsider placing them in Africa, in Canada, in South America.

KING: Yes, but Ken Henry is a very, very clever man. You would agree with that. Why would he recommend this in the Henry report if that was going to be the consequence?

BRANDIS: Madonna, I don't really think it's an answer to say, well, somebody who's a clever man thinks it's a good idea. There are lots of clever people but you have got to look at the idea on its merits. The bottom line is, Madonna, that what this will do is impose the most expensive tax regime in the world on mining, which is Australia's gold star industry.

KING: All right. Craig Emerson, can I come to you here? How much of your surplus, or the success of this budget, is predicated on that resources tax?

EMERSON: Well, in fact, we are dedicating a very substantial share of the revenue from that resources tax to provide small business tax relief and to increase superannuation...

BRANDIS: But you didn't do anything for small business in the budget, by the way.

EMERSON: Well, George, you just spoke I reckon for five minutes flat out without taking a breath. If I could just have a go here. This resources tax revenue would fund tax breaks for small business in the form of an ability to write off assets worth up to \$5,000, like laptop computers or welding equipment or office equipment, immediately instead of over a period of time, and that's for every small business. And for those small businesses that are companies, to reduce the company tax rate, which we're also doing for larger companies, but in relation to small businesses two years earlier.

Now, I can shed some light on this scaremongering and fearmongering that George Brandis has just engaged in. If he was true to his principles, and if he says that this is a Liberal principle that there should be no such tax, why on earth 25 years ago when I was involved and helped introduce a petroleum resource rent tax very similar to this, did the incoming Howard Government, which opposed its introduction, not repeal that tax and say this is unfair? What was the tax rate? Forty

cents in the dollar. Exactly the same as the resource super profits tax. Instead of repealing it, the Howard Government took \$16 billion of revenue from the oil and gas industry, which has actually flourished under that tax. The Gorgon gas field, a massive project, going ahead under the petroleum resource rent tax, the Pluto field going ahead under the petroleum resource rent tax and Bass Strait's life has been extended by about 30 years under the petroleum resource rent tax.

If the Liberals believe that this tax is wrong, it's iniquitous, it's philosophically repugnant, they should have repealed the petroleum resource rent tax. They never did.

BRANDIS: Calm yourself, Craig. Settle down.

EMERSON: They never did.

BRANDIS: Just settle down.

EMERSON: You took \$16 billion, George.

BRANDIS: Settle down, Craig.

EMERSON: You took \$16 billion.

BRANDIS: Three quick points, Madonna. First of all, you know somebody's losing an argument if their best point is, well, why didn't you vote a different way on a different issue in parliament, 25 years ago. Secondly, does anybody seriously believe...

EMERSON: You had 12 years to repeal it.

BRANDIS: Does anybody seriously believe, because I'm sure Craig in his heart of hearts doesn't seriously believe, that the structure of the international market for minerals and energy is the same today as it was 25 years ago? And thirdly, as I think most people...

EMERSON: That's completely irrelevant.

BRANDIS: ...are also aware, there are very fundamental structural differences between petroleum production and mining.

KING: All right.

EMERSON: I did do my PhD on this, George. I know a little bit about it.

KING: All right. And I want to leave it here because it is a big issue. Tomorrow, we will try and get someone from the Government and someone from Xstrata or one of the big mining companies to debate this out a little bit more, so that you can make up your mind because there remains that confusion, I think, in the

community, certainly going by your questions to me this morning and your comments.

George Brandis, what's in the small print of this Budget you can warn people about this morning?

BRANDIS: Well I'm not so concerned about the small print. I'm concerned about the big print and the headline numbers. The fact is that this is a Budget which produces the second biggest Budget deficit since the Second World War, \$40.8 billion.

Secondly, this is a Budget that contains no hard expenditure decisions to rein in expenditure.

KING: No, but...

BRANDIS: And thirdly...

KING: ...but...

BRANDIS: Can I - can I just finish on this point. Thirdly, it's a Budget that factors in increased government spending of \$26 billion over the next three years.

KING: But you come on this program week after week and you say Labor is fiscally irresponsible. They come with the Government - come out with a Budget, the centre point of which is to bring the Budget back to surplus by 2012, 2013. Shouldn't you be congratulating Craig Emerson?

BRANDIS: If only...

EMERSON: I wouldn't hold my breath Madonna.

GEORGE BRANDIS No, don't hold your breath Craig, I wouldn't want you to expire on the air.

If only it was so Madonna. The fact is that the figures in this Budget, which are projected forward to bring the Budget back into surplus in a few years time, depend upon massively increased revenue from the tax on the mining industry.

KING: All right.

BRANDIS: Nine billion dollars a year. Now - but the great paradox of this Budget is, on the one hand the Government is imposing a tax on smoking, because it says, well, if we impose a big tax on smoking, smoking will fall. But at the same time they're imposing a great big tax on the mining industry and saying; notwithstanding we're imposing this huge tax on mining, mining activity will increase, not decrease.

KING: All right. Can I go to you Craig Emerson here and it is this mining tax, I don't know if it's reflected in other states, but is the issue here in Queensland - and Warren from Nambour has just called and he wants to me to ask you this question, and I think it's a really good question.

Just say the mining companies move offshore. Just say they do as they're threatening to do. Where will that money come from that you're relying on for the super mining tax?

EMERSON: Yeah, well we don't believe that the mining companies will move offshore.

KING: But if they do? If they do, does that mean the small...

EMERSON: Well, okay, if commodity prices collapsed to zero, then that might have an impact on the Budget. I mean this is so - I don't mind dealing with hypotheticals, but they have to have some sort of likelihood.

KING: But the mining companies are saying they're going to do this.

EMERSON: Well, this is what they said 25 years ago, that gas and oil exploration...

BRANDIS: Back to the 1970s again are we Craig?

EMERSON: No, I'm just saying, I've been through this before. Oil and gas exploration in Australia would stop in its tracks. The oil and gas industry would close in Australia. They would move offshore under this tax. They've flourished under the tax. This is a real, live, living example, in the Australian context, of the application of a profits based tax.

BRANDIS: But if I may so Madonna, you really belled the cat on this dreadful Budget with the question you asked Craig when you said; well, what if the mining companies move offshore and we won't get this tax and Craig's answer reveals everything. He said; well we don't believe...

EMERSON: They won't.

BRANDIS: They will move offshore.

EMERSON: They won't.

BRANDIS: This entire Budget is premised on a hope; a hope and a prayer that these mining companies won't do what they've already said they will do...

EMERSON: They have not said...

BRANDIS: ...and - and...

EMERSON: ...they have not said that.

BRANDIS: ...and estab... and establish - invest their capital in countries which are now much more tax competitive than Australia, such as Canada.

EMERSON: They won't do that.

BRANDIS: Oh, they won't do that. And you believe that.

EMERSON: Yeah, I do believe that George.

BRANDIS: And, and the entire...

EMERSON: I've been around for 25 years. When you were going around in short pants...

BRANDIS: ...and the entire - and, and...

EMERSON: ... working at your law school and your long...

BRANDIS: Settle down Craig, settle down. Settle down.

EMERSON: ...sentences and your, you know, eating dictionaries...

BRANDIS: Don't be emotional.

EMERSON: ...about 25 years ago. I'm simply saying that we have been through this before.

BRANDIS: The entire Budget is premised on this blind hope.

EMERSON: We've - it's not...

BRANDIS: It's blind...

EMERSON: We have been through this before. We have been through the scaremongering before. It didn't happen. The oil and gas industry of this country flourished under the tax and we - the previous Labor Government, the Hawke Government - got a fair share for the community of the profits - of the profits of oil and gas exploration and development in this country. That's what we'll do with the mining.

KING: All right. Okay, I want to leave it there. But Craig Emerson, let me make you this offer. If we can get a mining chief on the program tomorrow morning to explain their concerns, will you come on and listen to them...

EMERSON: I will.

KING: ...and respond?

EMERSON: Yes.

KING: All right, okay.

EMERSON: No problem.

KING: So stay listening tomorrow, Craig Emerson has agreed. We are going to Xstrata, we're going to some of the big mining companies. Craig Emerson has agreed to come on and have that discussion tomorrow morning with one of the mining chiefs. So stay listening to me tomorrow morning.

Just before we leave the Budget quickly, does this give any hint that an election might be called before the spring session of parliament? I know the Government's advised the Coalition that lower house MPs not contesting the next election will have their valedictory speeches scheduled in the last sitting week of May.

George Brandis, should we be reading anything into that at all?

BRANDIS: Oh, look, when the Budget - when the election's called is a matter for the Prime Minister. The Prime Minister...

KING: Yes, that's what you say every week. You got something more interesting to say?

BRANDIS: Well, that's - well I don't have any additional insight into Kevin Rudd's thinking other than, you know, he's running scared at the moment. He seems to have capitulated or back-flipped on every issue under the sun in the last few weeks. Now whether that means that he's clearing the decks for an election, or whether he's going to run long, it's entirely a matter for him.

The only thing - the only thing he's ever said about this, by the way, is that the parliament should run its full term.

KING: Yes, okay. Well let's go onto two other issues and that is Hotel Queensland, these asylum seekers being held in a four star hotel in Queensland which is creating a debate.

But before I get to that, David Cameron will be the new Prime Minister, or is the new Prime Minister of the United Kingdom.

Craig Emerson, how will that affect or change the relationship between Australia and Britain?

EMERSON: It usually doesn't Madonna and I think this might be the one matter on which George and I agree [laughs] today. It usually doesn't. Political parties that form governments work with governments of all political persuasions. We do that in the

United States governments of all political persuasions. We do that in the United States, whether it's a Republican or Democrat government. We'll do that in the United Kingdom, whether it's a Labour government or a Conservative government. So I don't think it'll affect - have any effect.

KING: George Brandis, what do you know about David Cameron?

BRANDIS: Only what I've read. I met him very briefly when I went to the Conservative party conference in 2008. He's, you know, obviously an impressive politician.

He is at the forefront of a group of very impressive Tory politicians all of around-a-bout the same age, in their early to mid forties, who a few years ago got together and behi... under David Cameron's leadership decided to take control of the Conservative Party. Much as, you know, 15 years earlier, Tony Blair and his supporters took control of the Labour Party and remodelled it, modernised it and I think that David Cameron is plainly a moderniser and a progressive.

KING: He's 43. He's the youngest Prime Minister in the United Kingdom in 200 years.

BRANDIS: Well, the youngest - the youngest since Pitt the Younger. [Laughs].

KING: So, 200 years that is. Does that make either of you feel old?

EMERSON: Well, I'm only a little bit over that.

BRANDIS: Yes. You look good too, Craig, for a man of your age.

EMERSON: I'm 50 plus GST.

[Laughter]

KING: What about you, George Brandis? A bit of GST?

BRANDIS: Well, I'm much younger than Craig Emerson, but somewhat older than David Cameron.

KING: You're not younger than Craig Emerson, are you?

BRANDIS: Yes, I am.

KING: Now I've offended you, haven't I?

[Laughter].

EMERSON: But it's all right. Madonna, you're younger than both of us.

KING: Well, I certainly hope so. But I'm moving on very quickly, and my apologies, George Brandis.

[Laughter]

How stable will it be though? You've got David Cameron as the Prime Minister. It's looking like Nick Clegg from the Liberal Democrats will be the Deputy Prime Minister. Is that workable?

BRANDIS: Well, I think a coalition is always going to be more stable than a minority government relying on assurances of support on the Budget and questions of confidence, which was the other model that was being canvassed.

Obviously, both the Tories and the Liberal Democrats would've had to swallow hard and make some reluctant decisions to - in order to find the common ground to form a coalition because, you know, the more right-wing Tories would have been horrified by this, and the more left-wing Liberal Democrats would've been equally horrified. But I think it's the - you know, the skill of politics and the mark of a wise political leader to be able to find the centre.

KING: And George Brandis, you don't disagree there - sorry, Craig Emerson? You don't disagree there?

EMERSON: No, look, I think it's in the interests in any democracy to have stable government and I think both political parties will understand that. I think - isn't it true, George, it was 1974 when there was...

KING: Yeah, the last Conserv... yeah.

EMERSON: ... a minority government and it didn't last that long.

BRANDIS: Yeah and there were two elections that year.

EMERSON: Yeah.

KING: Five months later, or something.

EMERSON: So, hopefully people will learn the lessons of that and offer stable government to the people of Britain.

KING: That's the voice of Dr Craig Emerson. This morning with Senator George Brandis - Brandis. Each week we go Inside Canberra, from this week it's from 9:30 to 10:00 each Wednesday.

Just to immigration before we go. You'd be - both be aware of the criticism that your Government, Craig Emerson. You're putting asylum seekers up in a four star hotel while the

homeless problem continues to grow. And some people are saying well, what's your justification there?

EMERSON: Well, this is not a usual event, but it's certainly not without precedent. These families are on – and they are families, Madonna – there are young children here. We don't support putting them behind razor wire. I do acknowledge, George, that in the last period of the Howard Government the kids were taken out behind the razor wire.

This is a group of asylum seekers who have advanced through the assessment process. There's no, kind of, security risk with them, and you know, it may be that they're headed towards being recognised as genuine asylum seekers and resettled.

KING: That's what the Immigration Department says. But people are saying, you know, you look at the homeless problem, and your Government, Craig Emerson, said that would be a key priority of your Government on election...

EMERSON: And it is. Yeah. It is.

And, you know, I mean this doesn't displace people who, you know, otherwise - we've got a homeless problem and we've got funding that is being dedicated to that problem. But I don't think it just an automatic that if we didn't put these people up in this accommodation at this time, then we would be putting homeless people in that same accommodation at that time. But I...

KING: Is there a sense - is there a sense - are we being selfish? Is there a sense of Australians being self-centred or lacking charity in this debate?

EMERSON: Look, I can understand people saying well you know, this seems a bit strange. But it's not that strange because the previous Government has had to admit that even in Queensland it accommodated asylum seekers at the Airport 88 Hotel until 2005, Formule One at Hirst and Hacienda, the Colonial Inn in Brisbane. So, you know, sometimes they were - and I'm not suggesting this about you, George, in anticipation - but sometimes the Coalition would have you believe that this is something outrageous, never happened before. It was really very commonplace [indistinct].

KING: All right. Wayne Swan also made that point this morning on - I heard that it's normal practice under all governments. So, George Brandis, you don't have any issue with this? Or...

BRANDIS: Well, yeah, I do. And it's all very well to say it's normal practice under all governments. There were occasions early in the life of the Howard Government when hotels, though I don't think hotels

of this luxury, were used in emergency situations. But that's when we had a problem, Madonna.

We had a problem in the early days of the Howard Government. The Howard Government fixed the problem in 2001 by introducing tough measures and the illegal - attempts to ill... enter the country illegally fell away. So the...

EMERSON: Well, why were you accommodating people at the Airport 88 Hotel until 2005? Why?

BRANDIS: Look - no, the - Craig, let me just make this point. The reason these people are here is because the Government's border protection policy has collapsed. We've got - gone from a situation when after the Howard Government introduced the tough policies in 2001, the number of unauthorised boat arrivals averaged three a year, to the current situation when after the Rudd Government has repealed the tough policies, the number of unauthorised boat arrivals in 2010, so far, has averaged one every two days.

Gone from three a year to one every two days, because you cho...

EMERSON: Well, George, you now get to - you now get to explain...

BRANDIS: ...because you changed the policy. You abandoned Howard's tough measures and you lost control of the borders and put the people smugglers back in business.

EMERSON: You've just said no-one arrived after 2001. You can now explain...

BRANDIS: I said, one every th... one every... three a year.

EMERSON: You can now explain to Madonna's listeners why the previous Government was accommodating asylum seekers in hotels as late as 2005. In Brisbane hotels. You might just like to explain that now, George.

BRANDIS: Well, I don't - I'm actually not going to take at face value facts about dates and places.

EMERSON: You're struggling here, George. You're struggling.

BRANDIS: ...facts about dates and place that you might assert. That - the overwhelming fact is that we had this problem fixed, and there was no necessity to accommodate asylum seekers anywhere because there were hardly any.

EMERSON: But you did. That's exactly what you did!

BRANDIS: And you repealed our policies. Now you've got the problem back.

KING: You're go - you're both going off the point in one way. But just really quickly, how do you balance that concern that you've got to look after your own before others with a humanitarian approach to asylum seekers?

Craig Emerson, just briefly?

EMERSON: Well, I think it is the case that if people are successful in their application for asylum then there is a transition from Christmas Island into a normal settlement, whether that be in my area of Logan City, and I don't think that of itself is in any obnoxious or repugnant.

KING: All right. Let's see what everyone else thinks of that.

EMERSON: [Indistinct] homelessness.

KING: Senator George Brandis, thank you.

BRANDIS: Thank you very much, Madonna.

BRANDIS: Thank you very much, Madonna.

EMERSON: Okay. Thanks, Madonna.

KING: Dr Craig Emerson, thank you too.