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Transcript

SKY AM Agenda with Ashleigh Gillon and Steve Ciobo
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Subject: Budget speculation; Coalition's budget proposal; asylum seekers.

GILLON: Good morning and welcome to AM Agenda, I'm Ashleigh Gillon. Well six days out from the budget the leaks are coming thick and fast. Today those leaks suggest there could be a tax hike on beer and cigarettes. Another report suggests there won't be means testing of the Medicare safety net as speculated. This morning to help us get through the fog of budget speculation I'm joined by the Small Business Minister Craig Emerson and the Liberal frontbencher Steve Ciobo. Good morning to you both.

CIOBO: Hello Ashleigh.

EMERSON: Good morning Ashleigh.

GILLON: We'll get to the budget speculation shortly. First though as you know unemployment figures will be released a bit later this morning. The Treasurer Wayne Swan says he fears we could see another grim set of figures. Here he is on the ABC today.

SWAN: I don't think there's any doubt that the slowing of growth and the sharp global contraction is leading to higher unemployment. I hope they don't go up today but I think that the slowing of growth will be reflected in the

figures that we see over the period ahead. But what we do know is that economic stimulus has cushioned the impact of that savage global contraction and the consequence of that is that unemployment here is going to be much lower than it will be in many other parts of the world.

GILLON: Craig Emerson analysts are predicting today that the jobless rate could rise to 5.9 per cent. It's staggering isn't it; to think just how quickly the labour market has deteriorated? Just three months ago Treasury was forecasting that we'd be at 5 per cent unemployment by June and obviously we've well surpassed that.

EMERSON: Yeah well the more recent official forecasts are for rising unemployment. That's very disappointing but it is one of the human tragic consequences of a global recession. We're doing everything we can to cushion those impacts by the stimulus package of late last year and the second \$42 billion stimulus package that's flowing out now. Two thirds of that is nation building infrastructure. We don't accept the argument that Government's should just step back and let the market rip and throw more and more people onto the jobless queues. We'll do everything we can to minimise the impacts on employment of the global recession.

GILLON: Steve Ciobo the scary thing is isn't it that even if we do edge close to 6 per cent unemployment Australia's actually doing a whole lot better than a lot of other advanced economies around the world?

CIOBO: Well Australia is doing better Ashleigh but that's no thanks to the Rudd Labor Government. I mean the reality is that this country was, under the previous Coalition by *The Economist* magazine, labelled the wonder down under, the miracle economy. We brought unemployment down to a record 33 year low so this government inherited the best possible set of economic circumstances out of basically any government in the world. All they've succeeded in doing over the past nearly 18 months is bringing Australia back to the rest of the pack. So we've lost the advantage we had and this Government really is just resting on the laurels of the previous Coalition and

then trying to pretend that they have somehow delivered positive outcomes for the Australian people when the very opposite is in fact the truth.

GILLON: Well yesterday ...

EMERSON: Well Steve seeks to gloss over this global recession. I mean the fact is that all countries are doing it tough. We are better placed than most countries to ride this through but that doesn't mean that we're immune from the impacts of the global recession. We expect that unemployment will rise but we are better placed than just about any other country in the world and the idea of 'well we're a miracle economy and now we're not' - there's been a massive collapse in commodity prices around the world and that has particularly hit Australia very hard because we were getting a lot of tax revenue, company income tax revenue, capital gains tax revenue, from companies associated with the mining boom which is now very, very seriously deflated.

GILLON: Well Minister yesterday we saw the Rudd Government jump on the latest retail sales figures showing the increase in sales was proof that its stimulus plan is working. But isn't the unemployment rate a more telling indicator? Isn't that what your stimulus plan should be judged by?

EMERSON: Well the stimulus plan has contributed to the strongest retail sales figures since about the year 2000. I had a look Ashleigh at the retail sales figures for Australia: up four and a half per cent since November of last year. Compare that with the retail sales results for advanced countries overseas, just about every one of them sharply negative. So at a time when retail sales are going backwards in the United States, in most countries of Europe, in Japan, they are going very, very strongly forward here in Australia. Now retail sales is an indicator of, I mean, there's way over one and a half million people employed in retailing in Australia. This is a direct stimulus to jobs and it is working. The problem is that the tsunami from the global recession is so big that we have to do everything we can to protect ourselves from it but we can't do that absolutely and totally.

GILLON: Steve Ciobo those retail sales figures released yesterday were a lot better than analysts had been predicting surely you'd welcome that and can you give a little bit of credit here to the Government?

CIOBO: Ashleigh I think it's important that you know we understand exactly what's going on. I'm a little incredulous frankly that the Labor Government is just so desperate to portray their complete knee-jerk reaction to this that they will latch onto any little bit of bright news and claim therefore that everything they're doing is working. Let's just be clear Ashleigh. This government has just paid \$23 billion in direct cash payments out to the Australian people. We're going to spend the next decade or two paying off the massive amount of money that this government has pumped into the Australian economy. Now sure, retail sales have increased two per cent. That's great. I'm pleased to hear it. The Coalition is pleased to hear it, but let's not lose sight of the fact ...

EMERSON: I don't think Malcolm Turnbull's very happy to hear it.

CIOBO: ...let's not lose sight of the fact that this government has wasted \$23 billion and the only thing that they can show for it is a two per cent increase in retail sales. Now Ashleigh we are going to spend decades paying back this debt and I tell you what, I think for a \$23 billion investment a two per cent increase in retail sales is a pathetic result. If that's all that this Government can point to to demonstrate why its spent \$23 billion then it is really I think something that they will wear around their neck.

EMERSON: Yesterday Ashleigh ...

GILLON: We will get into the argument about debt levels further in just a moment but Minister I did want to ask you about the revelation the other night by the Seven network, that the stimulus, the claims that the first stimulus package would protect or create 75 000 jobs was always going to be unrealistic. Apparently the Government knew it, Treasury knew it. Why did the

Government think that it was necessary to give out those false numbers when it knew that really wasn't going to be the case?

EMERSON: Well the stimulus package is supporting job creation in an environment, or at least retaining jobs ...

GILLON: 75,000 jobs?

EMERSON: ... in an environment where otherwise unemployment would go up sharply.

CIOBO: It is going up sharply Craig.

EMERSON: What would the Coalition have us do? We've just heard Steve criticising the stimulus package.

CIOBO: The size of it.

EMERSON: They voted for the first stimulus package. Malcolm Turnbull said we won't quibble about it we support it. And then later they withdraw that support. They say they do not support stimulus packages. What that means is that they support rising unemployment. Let's be absolutely clear.

CIOBO: That's completely false.

EMERSON: Unemployment would be higher, would be higher in the absences of those stimulus packages.

CIOBO: That's a ridiculous assertion. Completely wrong.

EMERSON: Now here we've got Steve saying that's ridiculous unemployment would not be higher ...

CIOBO: Your assertion. Your assertion is ridiculous.

EMERSON: ... as a result of this stimulus package and of course, it would be. And that is not only evident in the retail sales figures. Ask the International Monetary Fund, the OECD, any country, any major interest around the world, organisation, supports the Australian stimulus package other than the Coalition. Malcolm Turnbull is the only person in Australia, perhaps Steve as well, who were disappointed with those retail sales figures because it doesn't fit their script and it doesn't fit the opportunism that they're displaying every day.

GILLON: Well Steve Ciobo did just say he's pleased to see those figures, but Treasurer Wayne Swan did identify ...

EMERSON: Thanks for that Steve, Malcolm Turnbull isn't.

GILLON: Treasurer Wayne Swan speaking on radio this morning did say that he can identify thousands of jobs created from that first stimulus plan. Here's some of what he had to say.

SWAN: We can certainly identify thousands of jobs that have been created in the retail sector and if you go out there right now and you talk to the contractors that are beginning to work in terms of public housing, if you talk to those that are involved in our energy efficiency packages, if you go out there and look and talk to all of those people involved in our school organisation programs. There are jobs being created and jobs being supported right across the board.

GILLON: Steve Ciobo you and the Treasurer obviously out there talking to very different groups of people.

CIOBO: Absolutely Ashleigh. You know what's going on at the moment and you know, Craig verbals me in terms of what I believe and what I don't believe. Let me tell you Ashleigh, this government is the Bernie Madoff of

Australia. I mean we've got Wayne Swan out there basically spruiking this line that thousands of jobs are being created. We've got Craig here in the studio who's claiming that I'm opposed to the stimulus package ...

EMERSON: You are. You just said you were. You just said you were Steve.

CIOBO: ...I'm opposed to job creation. The reality is Ashleigh that this Government has more in common with Bernie Madoff than they do with actual delivery of transparent government and actual stimulation of the Australian economy. Because if you look at what's happening what we need to be seeing is bang for the buck. This Government is throwing all this money out there. We've spent since December last year some \$53 billion. They're at this point, expected to deliver a budget deficit of between \$50 and \$70 billion. This year alone forecasts of debt are up to \$300 billion. Now Ashleigh what we're saying is not that we're opposed to any stimulus, we're not even saying, as a Coalition, that we're opposed to the budget going into deficit. Let's be clear. What we're saying is this Government will be judged on its delivery and its track record. It's not good enough to unemployment to spike up to nearly six per cent and the Government to try to pretend its creating thousands of jobs. What they're doing is failing and the proof is in the pudding.

EMERSON: Well that's fascinating Ashleigh. That is fascinating.

GILLON: Craig Emerson we're going to get back to this in just a second. We do need to go to a quick break. Coming up next we'll look at what we know is in next week's budget, what we think we know, is in next weeks budget.

Break.

GILLON: Welcome back to AM Agenda. Well, when the Treasurer Wayne Swan delivers his second budget next week, we're expecting a budget deficit of anywhere between \$50 and \$70 billion. The Government says it

could take around six years to turn that around with the Government expecting about \$200 billion to be wiped off its revenues because of the economic downturn. Joining me this morning to go through the figures is Craig Emerson and Steve Ciobo.

Minister your colleague Lindsay Tanner has said that the Government could be paying \$2 to \$3 billion a year to service its debts. Can you see how that sort of number could be a pretty scary figure to voters?

EMERSON: Well, I can understand the argument Ashleigh, but the fact is the majority of the debt, the vast majority of the debt, is a result of the rest of the world paying much less for Australian commodities, and that collapse in commodity prices has caused a collapse in revenue. That then means budget deficits. Now the difference between Labor and the Coalition, as best we are able to ascertain based on Malcolm Turnbull's words is this, that he says he would have a stimulus package half the size of Labor's package. That is, a \$21 billion stimulus package. So the difference between the \$200 billion debt and Malcolm Turnbull's position is \$20 billion. That is \$180 billion worth of debt. So we've got the Coalition either – they can't have it both ways – either they support \$180 billion debt, or they support no debt and therefore support big increases in taxes or big cuts in spending. And they really need to state their position. They can't have it both ways.

GILLON: Well let's ask Steve Ciobo about that. What level of debt to you think is acceptable in these circumstances?

CIOBO: Ashleigh it's as I said earlier about bang for the buck. I mean this false notion that Labor puts forward that under the Coalition, debt would be only \$20 billion less is just absolutely farcical.

EMERSON: Straight arithmetic.

CIOBO: It deserves to be treated with contempt. Because the approach of the Coalition is so different to Labor's approach it's not funny.

Yes we believe that there's a need for the budget to go in deficit this year. Yes we believe there's a need for there to be a stimulus package. But unlike the Labor Party, we wouldn't be throwing money out the door with \$900 cash payments, cash handouts going left, right and centre. I mean, I heard this morning Ashleigh where we have backpackers that have worked in Australia are now getting this \$900. So we know backpackers from overseas are getting \$900. Dead people are getting \$900. I mean this is the way this money is being wasted. The Coalition's approach ...

GILLON: But Steve Ciobo you haven't answered my question exactly. What is the Coalition's approach? How much debt would a Coalition government rack up?

CIOBO: Well what we'd be doing, as we've already outlined, is in this year alone our stimulus package would be about half of Labor's.

EMERSON: \$20 billion less.

CIOBO: This year alone Craig.

EMERSON: Our stimulus package is for this year.

CIOBO: The point is the Labor Party is putting more and more debt each and every year after that. So yes, if you want to look at one particular year, it's a 50 per cent difference.

EMERSON: So you're going to put commodity prices back up are you? Is Malcolm going to declare that commodity prices will go back?

GILLON: Sorry Craig Emerson, let's just get Steve Ciobo to clarify what he was just saying. Sorry Steve you were saying 50 per cent less debt ...

CIOBO: This year alone, this year alone Ashleigh. And the point is that this is a compounding impact. And Labor's big spending plans will put Australia \$300 billion in debt over the forward estimates conservatively. Now, 50 per cent less is a lot less, and that's if you assumed that this same level of spending was carried forward. So Ashleigh lets also look closely at what they're saying. We have Craig Emerson claiming that the problem is all we hear ...

EMERSON: So Steve, you would have half of Labor's debt?

GILLON: We'll come back to you in a minute Craig Emerson.

CIOBO: We hear the Labor Party claiming there's been a collapse of commodity prices. Now Ashleigh, to me this is a bit like putting a manager in charge of your shop who then says: well the problem is the customers, we're not getting the customers any more, that's what the problem is. You know what? These blokes have been elected to take decisions...

EMERSON: It's called the global recession.

CIOBO: ... and to be in charge. These blokes are meant to be making sure that they manage Australia's economy. We've managed it successfully in the past. Thirty-three year record unemployment, paid back \$96 billion of Labor Party debt, and these guys don't know what they're doing racking up debt and unemployment's going up.

GILLON: Craig Emerson what do you make of that claim, that the Coalition would be looking at 50 per cent less debt than what you're aiming at?

EMERSON: It's a big revelation. I think it's a bit revelation and I look forward to Malcolm Turnbull's response to the budget on Thursday night when he sets out that over the relevant period, that the Coalition will have 50 per cent less debt. What I've heard before is Malcolm Turnbull saying that

they would have half the stimulus package. I've never heard him say that they would have 50 per cent less debt.

Now that means big increases in taxes or big cuts in services because he is not in charge of world commodity prices. Malcolm Turnbull cannot control world commodity prices any more than we can. This is a deal that's been dealt to us by the rest of the world. Steve talks about the wonderful period of the Coalition. During that period, commodity prices were the highest in 50 years. They have now collapsed. Now we have to deal with that reality. The Coalition will have to deal with that reality on budget reply night, on Thursday night, when Malcolm Turnbull explains how he'll have 50 per cent less debt than Labor.

GILLON: Steve Ciobo let's just clarify that, if the Coalition is looking at 50 per cent less debt that it would put forward than the Rudd Government?

EMERSON: Ashleigh he's going to try to get out of it.

GILLON: Okay, let's let you clarify this Steve, its news to Craig Emerson and its news to me.

CIOBO: It'd be nice to be able to have 30 seconds to actually answer the question Ashleigh, uninterrupted by Craig. What I said when you pressed me about what are our plans for this year is that we put forward our proposal for the stimulus package this year which would be about 50 per cent of Labor's. Therefore, for this year, the deficit will be 50 per cent less on the basis that we're spending 50 per cent less.

EMERSON: That's not right. That's not right. The major reduction that ...

CIOBO: If you take out four...

GILLON: Craig Emerson let's just let Steve get through this.

CIOBO: The problem Ashleigh is that I can't get that 30 seconds in.

GILLON: Okay, go now, 30 seconds.

CIOBO: So the point is Ashleigh, that obviously the debt levels in the future will be dependent on a whole number of assumptions in terms of what the government's spending, where the revenues are, where we're making cutbacks. Now my point is this, that if in this year alone we're going to be providing a 50 per cent smaller stimulus than the Labor Party, and if you carry forward projections that we are providing at least 50 per cent going forward, of course our debt levels will be lower. Now there's a whole bunch of variables that come into play.

GILLON: Fifty per cent lower?

CIOBO: Well Ashleigh, I mean what you're asking me to do is to crystal ball gaze. There are a whole range of ...

EMERSON: No, you said it.

CIOBO: ... there are a whole range of variables that come into play. I made that point very clearly before. The crucial issue is this though Ashleigh, what we know about this Government is that debt levels are going to be out about \$300 billion. Okay. You're asking me to make an assumption on this, that, and the other, and to say what I think it's going to be in four years time. That obviously will depend on the policy decisions made each and every year, and each and every budget.

EMERSON: Ashleigh let's just be clear about this.

GILLON: I do just want to go through a couple of these speculations in the newspaper today.

EMERSON: Well can I quickly say, Steve just said then that a deficit under the Coalition for this year would be 50 per cent less because the stimulus spending would be 50 per cent less. Most of the deficit is because of the collapse in revenues associated with the collapse in commodity prices. He is therefore advocating on behalf of the Coalition sharply increased taxes and sharply reduced spending.

GILLON: Well I don't think that's exactly what Steve was saying there.

EMERSON: Well it is. That's the arithmetic.

GILLON: We have given both of you a chance to explain your positions on that. I do need to move on. We need to just get your reaction to a couple of the stories around today. One of them in *The Australian* is speculating that taxes are going to be raised on beer and cigarettes. Now obviously Craig Emerson you can't specifically talk about particular budget measures but is that something do you think that would fit in with Labor's plans on preventative health? Is that something you could agree with in principle?

EMERSON: Well you're right I can't and I won't speculate about particular budget measures. There are leaks every day and they come from all sorts of sources and the budget is just around the corner on Tuesday and all will be revealed then. I can't speculate and I won't.

GILLON: Steve, beer and cigarettes? Should the taxes go up?

CIOBO: Well ,what we know Ashleigh, is that there's going to be a lot of increases in taxes under the Labor Party, there's going to be much more debt and deficit. I mean Labor's got a fundamental problem Ashleigh. On the one hand they're trying to tell everyone to go out there in the economy, to spend money, that they're creating stimulus for the retail sector, and then on the other hand we've got a budget that is now looming large, a \$50 to \$70 billion budget deficit, \$300 billion worth of debt coming up in the future and we've got the Labor Party saying that we need now to increase taxes. So on

the one hand they're saying spend more money, on the other hand they're going to be pulling in extra taxes. So they don't really know which way they're going. I had to chuckle when I heard Craig say that he wouldn't speculate on the budget. I mean he's happy to speculate four years into the future on the basis of a comment that I made on the stimulus package.

EMERSON: I'm happy to speculate on what you might say.

CIOBO: But he won't possibly talk about what the Labor Party's going to do to slug the punters.

GILLON: Okay, well another budget leak is that the Government is going to spend more on border protection in the budget. This seems something that obviously has come straight from the Government. Craig Emerson is this a sign that the Government is acknowledging that it can do more to stop people smugglers bringing asylum seekers to Australia? Is this the Government acknowledging that this is a real problem that Australia faces at the moment?

EMERSON: Well look it's an issue and again I won't comment on stories in the papers today about spending, and dealing with the people smuggling issue. We are doing everything that we can in terms of the Indonesian authorities and working with them. We're happy with the collaboration that we've got there. We did get rid of Temporary Protection Visas and we did change arrangements where children weren't locked up in detention but we do not accept that that is an argument that has led to increased people smuggling. What's happening around the world is more movements. Just Italy alone - in Italy alone, 36,000 boat arrivals in one year and we've had a few hundred. Now the change in the Rudd Government policy has not contributed to 36,000 asylum seekers arriving by boat in Italy. It is as a result of a big increase in international movements created by extra instability in countries like Afghanistan and Sri Lanka.

GILLON: Steve Ciobo your colleague Bronwyn Bishop seems to think that Malcolm Turnbull isn't tough enough on people smugglers and the issue of asylum seekers coming to Australia. Is that a concern, do you think, that many of your colleagues share?

CIOBO: Look the only people who aren't tough enough on asylum seekers Ashleigh is the Australian Labor Party. Malcolm Turnbull and the Coalition have a strong track record when it comes to standing up to Australia's borders. Look, the proof again is in the pudding on this measure. The Labor Party has a massive problem now because what we've seen from the Indonesian Ambassador. If you read today's newspapers, what you see from asylum seekers is that there is now a message that has been sent around the world that Australia is open to people smugglers. And that problem is now seeing a massive influx of people attempting to queue jump from out of those countries where there are genuinely people who are in really tough conditions who can't afford to pay people smugglers. They're being forced to wait in line while these queue jumpers pay people smugglers to come to Australia, now being perceived as being a soft touch.

EMERSON: I'm not sure there's a very well formed queue in Afghanistan or in Sri Lanka.

CIOBO: You know ...

EMERSON: There's a lot of chaos there and I'm not sure about these queues ...

GILLON: We could continue all morning but we have run out of time for this morning's program. Small Business Minister Craig Emerson, Liberal frontbencher Steve Ciobo thanks for your time.

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