



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
ABC 702 Political Forum with Richard Glover, Meredith Burgmann and
Heather Ridout
5 July 2010

E&OE

*Subjects: Minerals Resource Rent Tax, small business tax breaks,
superannuation.*

GLOVER: First up, the mining tax. Bob Brown says Julia Gillard's back down means \$4 billion a year, every year, will be taken out of the public purse that we would have otherwise had. Is it right to see the deal as the first triumph of the new Prime Minister, or is it just her first big mistake?

Craig Emerson.

EMERSON: We're now getting, through this mining tax, a fair share for the community, of the extra profits from mining that are associated with the mining boom.

GLOVER: Yes, but less than we were to have got.

EMERSON: Well, I suppose you could say, theoretically, that you could get four, five or ten times that amount. We've struck a balance that we think is consistent with the mining industry expanding in this country, but the community, as the owners of the resource, getting a fair share of the increased profits.

I had a look at the budget papers, just yesterday, about the outlook for mineral prices, which, really, are mainly iron ore and coal prices - they're set to hit the highest level in 60 years, and the community deserves a fair share of those extra profits.

GLOVER: Yeah. I'm not really arguing that side of it, more the other side. Maybe they deserve more. There's people in the community who, who just think you've bent down to some bully boys, who are these guys with a big budget of advertising, and lots of lobbyists, and they cowered the Government.

EMERSON: Oh well, if that analysis was right we would have capitulated, and said this heat is too much for us, we're just going to back off and abandon it. Julia Gillard wouldn't do that; she wanted to adopt a conciliatory approach.

And, of course you could argue that the fair share should be larger. And other people, like Tony Abbott, would believe that the fair share is much smaller; indeed, he believes that the mining industry is paying more than its fair share of tax.

GLOVER: But then, if you're a small business person tonight you'd be saying, well, look, I wanted that extra one per cent off my tax, and yet I'm not going to get it, simply because I haven't got the lobbyists, and the money to buy full page ads in the Herald.

EMERSON: Well it's interesting. I asked lots of small business organisations to come out in support of the cut in the company tax rate. And a couple did: the Council of Small Business Organisations of Australia and the Newsagents Federation did. I couldn't get anyone else out to support it.

Now, there's two reasons for that. One is that there's 2.4 million small businesses in Australia, of which 720,000 are companies. But every small business will get a very important tax break. They'll be able to write off, instantly, the value of any asset they buy, up to \$5000.

GLOVER: But it's not as good as it was to be, Craig.

EMERSON: That is, actually. The instant write-off is intact...

GLOVER: No, no, but I - but... sorry, the cut in the rate is one per cent, rather than two per cent.

EMERSON: That's right. And we had to make some accommodations. We actually abandoned the exploration rebate, because the mining industry - that was \$1.1 billion - the mining industry said itself, it didn't want that rebate. We said, alright, well we'll take that back. We'll cut our cloth according to the needs.

GLOVER: Hmm.

EMERSON: But we believe we've struck the right balance here.

[Heather Ridout talks about the Henry Review process, impact on forward estimates of Minerals Resources Rent Tax changes.]

GLOVER: Well, there are a lot of people that can't understand why - the Government says, this is only going to cost \$1.5 billion, how can you reduce the tax by that extent, and only cost that little, in a sense?

EMERSON: Okay, I can answer that. The \$1.1 billion exploration rebate is gone. The reduction in the company tax rate is from 30 to 29, instead of 30 to 28. The value of the existing mines is now going to be spread over 25 years, instead of over five years. So with those three adjustments, and a few others, this is why you get that sort of result.

[Heather Ridout advocates for cuts to company tax rate to 28 per cent, talks about the impact of increasing the Superannuation Guarantee.]

EMERSON: Heather, you say the superannuation costs are big. They're being phased in over a 10-year period. A three per cent increase in wages - if the businesses themselves were bearing all of that - and, actually, Eric Abetz, the Shadow Industrial Relations Minister, says the wage earners would bear all that. I think three per cent over 10 years is hardly a big impost, and you know that the...

GLOVER: [Interrupts] yeah, yeah, for many businesses the wage bill is the whole bill, isn't it?

EMERSON: Sure, but this is 0.3 of a percentage point, on average, a year. And let's think of the other side of superannuation, that is, the spreading of superannuation to every working Australian, a great Labor reform. Paul Keating and Bob Hawke did that to nine per cent. We would now go to 12 per cent. We've just passed the one and a quarter trillion dollar superannuation nest egg that Australia has got. That's a huge nest egg.

[Heather Ridout talks about other Henry Review recommendations.]

[Meredith Burgmann expresses surprise about polling data indicating average Australians worried about profits of mining companies such as BHP]

GLOVER: Did that surprise people in the Government, Craig?

EMERSON: Towards the end of this process I saw a poll, and I'm not saying it's reliable or unreliable, so - but just in order of magnitude, 86 per cent of Australians believe there should be an extra tax on the mining industry. Some said it shouldn't be as much as being proposed, a few said, yeah, go with what you've got...

GLOVER: Hmm.

EMERSON: ...the resource super-profits tax. So, I think, as messy as that whole community debate was, what happened in the time that you're talking about, Meredith, right up towards the end there, is, people said, yeah, look, there should be extra tax coming out of the mining industry, because of this China boom, which is created by China, not by the Australian Government, or by the mining companies themselves.

But what we do now have is a very stark choice. And I'm not sure that your listeners are aware of this. We're going ahead with that; we're going to fund the small-business tax break, superannuation, and infrastructure investment.

Tony Abbott's actually said that he would rescind it and give the money back to the mining industry. So I reckon it's only Tony Abbott who would be just about the only person in Australia who believes the mining industry is paying too much in tax and they should have it all back.

GLOVER: Well, Twiggy Forrest and the other small miners still have a few problems with it.

[Heather Ridout talks about MRRT changes.]

[Meredith Burgmann talks about the losers from microeconomic reform.]

GLOVER: but still...When Keating and Howard - Keating and Hawke - closed down the textile industry it was a lot of ordinary Labor voters who lost out from that in the short term. It turned out to be a good reform I think, but...

EMERSON: I was an adviser to Bob Hawke during that period, and a - microeconomic adviser - and certainly the nub of the matter is, what everyone has been discussing here, and that is, those who are adversely affected, firstly, are adversely affected in the short term - and there's a smaller group.

The winners are everyone, but in the long term, and much more dispersed. It mightn't be putting tens of thousands of dollars in their pockets, but all of these reforms, together - you put them together you are getting tens of thousands.

GLOVER: Well, actually, the clothing - look, clothing's a great example, isn't it...

EMERSON: Yeah. And I've noticed...

GLOVER: ...because for all of us, when we go to the shopping centre and buy pyjamas for our children they now cost ludicrously little. Or some of them - mainly they cost \$4, or something...

EMERSON: I agree with you, I think that's absolutely right...

GLOVER: ...And yet...

EMERSON: ...and if those reforms hadn't been done we'd be paying \$20 for a pair.

GLOVER: ...for those 3,000 people in the pyjama factory who lost their jobs it was terrible.

EMERSON: And they deserve, the 3,000 people, deserve assistance in making that adjustment. There's no doubt about it. I'm more optimistic about microeconomic reform. I think in this case it was close to an election, and everyone knew that, so there were special vulnerabilities.

But I tell you, if we don't continue to engage in microeconomic reform then we will have what Ross Garnaut described, in 2005, as the Great Complacency. People say, look, we're doing alright, why do we need to change anything? And then they wake up one day, we're an unproductive economy, we can't employ our people, we can't pay people decent wages.

GLOVER: Hmm.

EMERSON: And people say, what happened? Well, what happened was that we lost the nerve. I don't think we will.

GLOVER: But Heather's right, the big challenge we face is this two-speed economy isn't it.

EMERSON: Hmm.

GLOVER: That, as the mining figures that you talked about, the coal and iron ore prices go up.

EMERSON: Yeah.

GLOVER: The Australian dollar goes up.

EMERSON: The exchange rate goes up.

GLOVER: The interest rates go up, and it's very...

BURGMANN: The cost of labour goes up, la-la la la.

EMERSON: And so what we've got to do is make sure that the non-mining parts of the economy are...

GLOVER: [Interrupts] which is most of the economy.

EMERSON: It is, and are as productive as possible...

RIDOUT: Which is what the company tax rate and all those things is all about.

EMERSON: Yeah. And competitive. You've got to get in and support the competitiveness.

RIDOUT: The other issue is we've had 19 years of not dipping into recession. We've had three negative quarters of economic growth in 19 years. People, really, even the GFC, we were worried about it, but, you know, it was an astonishing thing. And I think there is that complacency.

EMERSON: A 37-year-old would not have known of a recession as an adult.

GLOVER: And your claim is that's because of successful microeconomic reform?

[Heather Ridout talks about microeconomic reform.]

EMERSON: But you will find that Julia Gillard is a true reformer. I say this because of the My School website and the hard things that she's undertaken already.

GLOVER: Now, Julia Gillard promises a tougher new policy on asylum seekers, but the Opposition says it's just a pre-election stunt, and her heart's not in it. Has the Opposition a point when it says the softer policy has been a failure, and is it possible to create a policy which is fair, but does not result in a big increase in boat arrivals, with all the danger of that trade?

Craig Emerson, you've - I've heard you on the news today talking quite interestingly about your own electorate, and the tensions over this issue.

EMERSON: Oh, there's no doubt that the community is concerned about unauthorised arrivals into Australia. One thing that we need to remember about unauthorised arrivals by boat is that it's dangerous, and I think just not very long ago a dozen asylum seekers appear to have perished and drowned. So it's not by any means the ideal way for people to make their way to Australia. We accept that, we long have.

And Julia, I think, was right yesterday, in saying, people who are concerned about unauthorised arrivals aren't necessarily intolerant, or racist, they're just anxious. And that's fair enough. But what we need to do, if we're going to have a firm policy, it needs also to be fair. And we don't believe in towing boats back out into the sea, which Tony Abbott has said that he would do.

GLOVER: Hmm.

EMERSON: And when he was asked, 'will this stop the boats?', he wouldn't say.

GLOVER: But here's the problem, Craig, how do you - well, let me go through this step by step. You'd agree with the Liberal criticism that the softer policy, the slightly softer policy by the Rudd Government, did seem to attract more boats?

EMERSON: No, I - what I say is that, at that time, more boats have arrived. And I actually agree with Malcolm Turnbull on this, who said that the push factors are 'enormous'. That's the word that...

GLOVER: [Interrupts] yeah, well why change anything, if you're right about that? If it's all push, no pull, why change anything?

EMERSON: Well we need to have a good look at the policy. I can't say to you, Richard, tonight, what the new policy, or any variations in that policy, will be. But what I can say is that suspension of the processing of asylum seekers for Sri Lankans, I think, is about to fall due.

GLOVER: Hmm.

EMERSON: And so obviously it needs some reconsideration.

GLOVER: The only way you'll stop the boats coming, is if you are horrid to the people in some way. I mean, there's various ways of being horrid, but you'll have to be horrid to them. You'll have to be inhumane, if you'd prefer that word, to stop them arriving.

EMERSON: Well, we won't adopt an inhumane policy. That's not in our philosophy - in the Labor philosophy. We will be fair, but we'll also be firm. In the sense that, the - it is a very risky journey, and a lot of people, over the last ten years, have lost their lives making their way to Australia by boat. I don't blame them for trying to come to Australia, but I think we need to look after them, and look after the broader Australian population.

[Meredith Burgmann covers refugee intake statistics and Coalition policy.]

[Heather Ridout calls for bipartisanship in developing immigration policies.]

GLOVER: Craig Emerson, thank you very much...

EMERSON: Thank you, Richard.

GLOVER: ...the Minister for Small Business.

ENDS