



THE HON DR CRAIG EMERSON MP
MINISTER FOR TRADE

Transcript
ABC 612 Mornings with Madonna King

13 July 2011

E&OE

Subjects: carbon price package.

- MADONNA KING: And now to nine rounds in the ring, *Inside Canberra*, with Gillard Government Minister Dr Craig Emerson, and Deputy Opposition Leader in the Senate, George Brandis. Gentlemen, good morning. Welcome to Brisbane.
- GEORGE BRANDIS: Good morning, Madonna.
- CRAIG EMERSON: Hello, Madonna, and to George. And I understand that you're a member of the fun police, and we are to have fun. We're not against fun; we're for fun.
- KING: No, I was saying be polite. A laugh every now and again doesn't go astray, does it?
- EMERSON: No, absolutely not.

KING:

And you know, I'm not sure there's too many laughs in this carbon tax. And I'm not saying that in a political way: it's just people are either really for it, and think everyone who is against it are whingers, in the terms of one of my listeners, or they are really against it, and there seems to be just ... it is the issue that I've dealt with since Monday. It's what everyone wants to talk about. You might have heard Julia Gillard earlier...

EMERSON:

I did, yes.

KING:

...taking listeners' calls, and I hope to do the same with Tony Abbott a little bit later this week.

Let's start there, and Julia Gillard has been answering listeners' questions. They're - in my email box now there would be at least probably 120 - they keep coming in, maybe 150. Several of them relate to the Coalition. So starting with you, Senator Brandis. The question is: "It's okay to criticise from the sidelines, but can you be specific, and shortly, like briefly, outline your carbon policy?"

BRANDIS:

Yes, I can, so let me do so. Since February of last year, we announced what we call our Direct Action Plan, which has three main features. First of all, massive reforestation, so that we can plant trees that will absorb carbon from the atmosphere; secondly, expansion of sequestration and storage, so we can store carbon in the soil; and thirdly, a significant investment so as to bring power plants and other heavy industry facilities up to state-of-the-art technology, so that we can get rid of, or clean up in effect, the dirty power plants, and dirty factories.

Now, you know, that is ... that direct action plan is very similar to the features of President Obama's

policies in the United States, after he abandoned the so-called cap and trade scheme, and ...

KING: Alright...

BRANDIS: ... - can I just finish on this - we note that there are some features of it that in fact have been picked up by the Government's plan.

KING: Point three - massive investment. What kind, just explain that?

BRANDIS: Well, what we propose to do is to provide incentives and subsidies for power plants, and other factories and industrial plant and equipment that emits significant carbon emissions into the atmosphere, because they work on old technology to bring their technology up to the state-of-the-art technology.

KING: So you would give them grants to do that?

BRANDIS: Well, there would be a system of incentives and ...

KING: What kind of incentives?

BRANDIS: Through the tax system.

KING: Tax cuts?

BRANDIS: No, I didn't say that.

KING: No, well I'm asking you: when you say through the tax system, give me an example.

BRANDIS: Well, the way in which governments usually provide incentives for ... particularly for secondary industry, is through the tax system. And you know, there are various ways in which the incentives can be structured.

KING: So you haven't worked out how those incentives would be structured?

BRANDIS: We'll be announcing ... we'll be announcing before the next election more specific details of our policy. But you asked in brief for the outlines of it, and those are the three elements of the policy.

KING: Okay, I just want to stay with you, excuse me Craig, for just one moment. You say, you know, and that's kind of very umbrella-like - why not release it now, so that...

BRANDIS: No, we released it last February.

KING: But everything, the details like the tax incentives, so people can look at Julia Gillard's, look at Tony Abbott's and say, 'yes, I support the Coalition's', or 'yes, I support Labor's'?

BRANDIS: Well, we released a ... I think it was a 22-page document in February of last year, and that's our policy.

KING: Alright, so when you say you're going to release it before the election, it's going to be the same policy?

BRANDIS: Yes, we're very happy with the policy that Greg Hunt who, you know as I always point out ... Greg Hunt is the one real expert in this field, in the entire Commonwealth Parliament. It's the subject of his

Master's thesis, it's the subject that he's made his own, and he speaks with more authority about this than anybody else on either side of the Parliament ...

KING: The cost of the Coalition's...

BRANDIS: The cost will be absorbed in savings from the Budget. We announced before the last Federal Election, 50 ...

KING: It's going to cost billions.

BRANDIS: ... 50 billion dollars of savings from the budget...

KING: How? Yes, \$50 billion, and that...

BRANDIS: ... of savings from the budget.

KING: Yes, and those \$50 billion - how many people will lose their jobs; public servants?

BRANDIS: Well, we will ... this is independent of the direct action climate change policy ... but we did announce at the last election, and we adhere to the view that up to 12,000 public service places won't be refilled ...

KING: Alright, sorry...

BRANDIS: ...when they become vacant.

KING: Sorry, that's separate from the \$50 billion?

EMERSON: No, it's part of it.

BRANDIS: No, no, it's part of it.

KING: Alright, part of it. Okay, Craig Emerson, why not adopt the Coalition's plan?

EMERSON: For several very good reasons. George was unable to answer the most basic questions about the release of a document which he says will be re-released. There's no point re-releasing a 20-page document that does spell some of this out, that includes subsidies to those power stations ...

KING: So what's not in that policy that you want to see there?

EMERSON: We want to see a market-based mechanism, and this starts with a fixed-price permit, which is otherwise called a carbon tax. Now ...

KING: But can't you do it without a carbon tax?

EMERSON: No, and I'll explain why, and it's a great question, thank you. All economists will tell you the most efficient way of finding the lowest-cost ways of reducing emissions is through a carbon price, because the market seeks these out, rather than some overall centrally-planned system.

Now what George has said is that they've got a 22-page document. He'll be releasing more detail. There's plenty of detail in this document, including reference to charging polluters more the more they pollute - that is a carbon tax. That is on page 14 of that document, page 14 of that ...

KING: What does that mean, Craig Emerson? Page 14 of the document?

BRANDIS: Sorry, is that a question to me?

KING: Yes, sorry, Senator George Brandis ...

BRANDIS: Well, there is no element of our direct action plan that is a carbon tax.

KING: So what does that mean, when you charge polluters more? What would that be if you called it a tax?

EMERSON: It's called a carbon tax.

BRANDIS: No, it's not...

KING: It could be a fine?

BRANDIS: No, it's not a carbon...

EMERSON: Call it whatever you want.

BRANDIS: No, it's not a carbon tax. And again, you know, we're being misled in this debate...

KING: No, well then, what is it?

EMERSON: I'll bring it in next time.

BRANDIS: What we have proposed is a structure of subsidies and incentives to encourage and enable the large, old dirty

plants, electricity generation facilities and so on, to introduce up-to-the-minute technology so ...

KING: So are there punishments in there, too, if you don't do that?

BRANDIS: There are incentives...

EMERSON: And punishments.

BRANDIS: ... which are structured in the way that it ... typically in the tax system there are, if you like, carrots and sticks. But there are no ... there is no element in our policy ...

KING: Alright...

BRANDIS: But it's never been suggested before, by the way...

KING: Alright, I'll get...

GEORGE BRANDIS: ... that there is any element of a tax in our policy.

EMERSON: But there has been, and it's been in Parliament, and it's on page 14. And you've referred to Greg Hunt as being the pre-eminent expert, and he's done a Masters thesis on it. I'm one of the few people who's read that Masters thesis. Do you know what it recommends? A carbon tax.

BRANDIS: No it doesn't.

EMERSON: Yes it does. I read the whole document.

BRANDIS: I'm sorry...

KING: Have you read Greg Hunt's document?

BRANDIS: I have not read his thesis...

EMERSON: And I have, cover to cover.

BRANDIS: ... but I've discussed it with him extensively.

KING: Alright, and you have read it, Craig Emerson?

EMERSON: Yes.

KING: Is it on a website?

CRAIG EMERSON: No, it's actually quite hard to get. And, in fact, Greg asked me for a copy of it. It's quite hard to get, but I'll bring it in.

KING: Do you have a copy of it?

EMERSON: Not on me, but I'll bring it in.

KING: All right, I want to move on because I want to read that independently before we go into that further.

EMERSON: No problem.

KING: Craig Emerson, so is that your only objection though, that on page 14 of the...

EMERSON: No, no, no, that's not my only objection. I'm saying ... you asked about the cost. There is a cost. This \$10.7

billion for this so-called Direct Action Plan comes straight out of taxpayers' pockets.

BRANDIS: Now, that's...

EMERSON: Straight out of taxpayers' pockets.

BRANDIS: That's your assertion, Craig.

EMERSON: Straight out of taxpayers' pockets.

KING: You've had your chance to...

EMERSON: And the independent analysis of the Climate Change Department reveals that that gets you only one-third of the way to the 5 per cent reduction in emissions to which Tony Abbott and Labor have committed. They need to get the other two-thirds of the way by buying permits overseas at a cost of \$20 billion.

But here's an extra problem. On Sunday, Tony Abbott ruled out buying permits from overseas. The cost just went up. The original cost works out at \$720 per household per year. That's the alternative - that taxpayers fork out for this, to pay subsidies to big polluters.

BRANDIS: Look, Craig, I'm afraid that's not going to get you ... I mean, we don't accept, sight unseen by the way, figures that come out of the Labor Government ...

KING: Like?

EMERSON: They come out of government departments.

BRANDIS: The Climate ... Department of Climate Change works for the Labor Government.

KING: But Tony Abbott said to me ... Tony Abbott said to me on Monday he doesn't question the modelling that says it goes up \$510 a year or whatever.

BRANDIS: This is the Treasury modelling...

KING: Yes.

BRANDIS: ... for the Government's carbon tax?

KING: Yes, he said he didn't question that.

EMERSON: And they're the same people who did the modelling on the GST, which we didn't question.

KING: To Senator Brandis.

BRANDIS: When the Government says that the cost to the average household will increase by \$510 a week [sic], that's their assessment of the cost of their own policy. Now, we don't quibble with that. What we do say is that this is an unnecessary cost for Australian households to be expected to bear.

KING: Why?

BRANDIS: I mean, may I ... may I speak about the Government's policy for a moment? We've spoken about the Opposition's policy for the last 10 minutes. May we speak about the Government's policy?

EMERSON: It's good there's been a bit of scrutiny of your policy.

KING: No, but I ... I asked you about your policy. I want to ask Craig Emerson about his policy now. And the question, first question I have, Craig Emerson...

EMERSON: Sure.

KING: I mean, I've spoken to Julia Gillard; we've talked about this all week between 8.30 and 11.00, but I'm just wondering has the electorate stopped listening to you? They have made up their mind and there are two themes coming through. One is Julia Gillard looked down the barrel of a camera six days before the election and said there would be no carbon tax. Now, this morning she said, 'look, you know, I talked about an emissions trading scheme; I got into Parliament; the voters elected the Parliament and the only way to get the emissions trading scheme', if I understood her correctly, 'was to do it this way'.

EMERSON: Right.

KING: That's how she answers that one.

EMERSON: Yes.

KING: The other theme coming through is people are saying, 'well, look, if you're really genuine about the carbon tax, why are you compensating people so we don't actually change our ways?'

EMERSON: Okay. I'll deal with both of those. The scheme announced is an emissions trading scheme. It starts

with three years of a fixed price - call it a carbon tax if you like.

KING: It is a carbon tax.

EMERSON: The previous scheme, which was not called a carbon tax - that's the Carbon Pollution Reduction Scheme - had a one-year fixed price. This has got a three-year fixed price.

Now, if people want to say the first one was an emissions trading scheme which, by the way, George has done, then that's fine, but this one's not, because it's got three years fixed price? Okay, let's not spend all the time arguing about definitions, but it is a market-based mechanism and, as the Prime Minister said, she did not rule that out. And, in fact, I've seen reports in *The Australian* newspaper where she said in the same breath 'but I do not rule out a market-based mechanism'.

KING: But in ... you still haven't finished answering the second part of that but, Craig Emerson, once you got into power the choice was to hang on to power, cling on to power because there was no obvious majority, or to allow a carbon tax that resulted from work with the independents and the Greens. And so you decided politically, presumably, that was the better option.

EMERSON: We actually decided it because we had long committed to putting a price on carbon, way before the 2007 election, when John Howard had done the same thing and actually released the details of an emissions trading scheme. We tried to do it twice in the last period of Parliament and where the Prime Minister reaffirmed before the last election that we would look to

putting a price on carbon through an emissions trading scheme.

KING: Before you ... before I go back to Senator George Brandis, that second part of it: how are we going to change our ways when we're being compensated?

EMERSON: I think that is a very good question and I'll give, I think, a very good answer. The charge, if you like, the carbon price is applied to the 500 biggest polluters. Now, some of them will seek to pass some of that price increase onto consumers. We recognise that. The estimated impact is 0.7 per cent on the consumer price index.

But what we're trying to do is to discourage those big polluters from putting so much carbon into the atmosphere and so we're not really seeking fundamentally to change the behaviour of consumers. But if they do reduce their consumption of, you know, items that have got a lot of carbon in them, they can achieve a little bit of extra savings. That's a good thing, but it's basically a charge on the big polluters.

KING: George Brandis, you are still promising to get rid of this tax if you're elected at the next election?

BRANDIS: Yes, we are, but may I respond to some of the things Craig said? And let me just make three points about this.

All the verbiage in the world, Craig, will not cover up for the fact that this is a tax. Even the ...

KING: Well, you've admitted that. He's admitted that.

BRANDIS: Even the .. well, then he said, 'well, you know, but it's really not a tax, it's like an emissions trading scheme'.

KING: Let me ... is this a tax or not?

EMERSON: It operates like a tax. We have never said ...

BRANDIS: Is it a tax?

EMERSON: We have never said ...

BRANDIS: Is it a tax?

EMERSON: We have never said any different. The Prime Minister said that. It is fixed for three years and then it goes into...

BRANDIS: Okay, well, you could have saved us some time by ...

EMERSON: ... floating price in the marketplace.

BRANDIS: Craig, you could have saved a lot of time by 'fessing up.

EMERSON: We've had this conversation about 15 times before.

BRANDIS: By 'fessing up, and the issues haven't changed. By 'fessing up at the start...

KING: Your second point?

BRANDIS: ...this is a tax...

EMERSON: The first one was pretty weak.

BRANDIS: ... built on a lie. Nobody ... nobody thinks that Julia Gillard would have gone into the last election promising there wouldn't be a carbon tax if what she really wanted to do was ... was impose a carbon tax. The fact is she ... she made that statement in order to get over the line at the election, and then when she found herself without a majority she broke that promise in order to do a deal with Bob Brown and the Greens.

So the ... that's the first point?

EMERSON: Oh, I thought that was the second point.

BRANDIS: This is a tax based on a lie and that is one of the reasons why the public objects to it so strongly.

KING: And we've gone over that point and that is...

BRANDIS: But it's still the central point in the debate, Madonna. You can't go into an election promising one thing and then do the opposite and then come along and say, 'well ...

EMERSON: The Prime Minister promised to put ...

BRANDIS: ... really we never changed our mind.

EMERSON: She said she would put a price on carbon.

BRANDIS: But she promised there wouldn't be a tax.

KING:

Let's move on from this because, as I have said, this was the key question she was asked this morning: why did she do that?

George Brandis, back to the question I asked you that you jumped very quickly over. You are promising to repeal...

BRANDIS:

Absolutely. No, no, I'm not jumping over anything. We will go to the next election, whenever it is, promising to repeal the carbon tax and if the ... and that will be, I believe, the central issue in the next election campaign. And if we win the election, if we win, we would expect the Labor Party to respect the public's judgment.

KING:

Alright. Two follow-up questions there. Don't you think - this will be introduced next year - by the time the election comes we'll be used to living with it like the GST? It won't be a big issue.

BRANDIS:

I don't think that. I think people are outraged about this, not only because it's a tax based on a lie but also because it will force up the price of ... of daily life very significantly, much more significantly than the Government is letting on. And I think if anything people will be even angrier about it at the time of the next election.

KING:

All right. Let's say that happens and you get into power. You're taking back this whole carbon tax. Are you also going to take back our tax cuts, reduce that tax ...

BRANDIS:

We are going to repeal the carbon tax. We are going to offer ... we're going to promise, at least, at the next

election, to repeal the carbon tax and the whole package of measures. But we will be offering our own tax cuts without a carbon tax.

KING: Will they be at least as good as increasing that tax-free threshold and everything else that was announced on Sunday?

BRANDIS: People ... well, we will announce that, our tax policy, closer to the election. We are less than a third of the way through this Parliament. So no opposition announces its policies at the next election more than two years out from the election. But I can give you this assurance...

KING: Except you said to me earlier that you have released your climate change policy.

BRANDIS: Well we released the climate change policy before the .. I... our climate change policy before the last election, and it remains our climate change policy.

KING: So your tax policy w ... the changes to the tax system will be separate under the tax system.

BRANDIS: They will be. And we will go into the next election with a tax reform plan without the carbon tax, and people will be much better off as a result.

KING: Well it... does Malcolm Turnbull agree with you on that?

BRANDIS: Of course he does.

EMERSON: Of course he doesn't.

BRANDIS: Of course he does. He's a member of the Shadow Cabinet who signed off on this policy.

EMERSON: Madonna. Let's just be clear about this. If the Coalition repeals the emissions trading scheme - fixed-price carbon tax, whatever you want to call it - and then they say they're going to offer very generous tax cuts, they can't fund them. They cannot fund them.

BRANDIS: Yes, we can. Because we fund them from savings in the Budget.

KING: You've had a go. Just let ...

EMERSON: Let me finish. This \$50 billion is completely shonky. It includes retaining revenue from the mining tax, but getting rid of the uses of the revenue from the mining tax. Now this is very important. They are obviously...

KING: I don't understand that.

BRANDIS: No, but Craig, this is all verbiage.

EMERSON: ... the \$50 billion...

MADONNA KING: Senator Brandis, you've had a go.

EMERSON: The \$50 billion does not take account of when they get rid of the mining tax there'll be no revenue from the mining tax. The uses of the revenue from the mining tax are small business tax breaks, they are increases in infrastructure investment and a reduction in the company tax rate.

They say they won't do those; they will take away those business tax reforms. But they have still got the revenue from the mining tax in the \$50 billion. And even then, Treasury said at the last election that they have an \$11 billion black hole.

So they're behind by \$11 billion. Their Direct Action Plan costs \$30 billion.

BRANDIS: That's not right. We ...

EMERSON: There's \$40 billion.

BRANDIS: That's just not right, Craig.

KING: Hold on.

BRANDIS: You're just making this up as you go along.

EMERSON: There is \$40 billion. And they haven't even yet started to find how they are going to fund these tax cuts without any carbon price.

KING: Where do you get that figure of \$30 billion for the direct climate change?

EMERSON: Again, the Department of Climate Change, and it is \$10.7 billion from the Direct Action Plan, plus another \$20 billion in permits that they have to buy from overseas in order to achieve an emissions reduction of 5 per cent in 2020 on 2000 levels, which is a bipartisan target.

KING: If that figure is wrong ...

BRANDIS: Craig?

KING: ... what is the correct figure, George?

BRANDIS: That figure is disputed, and may I just say this Madonna ...

KING: So what is the correct figure?

BRANDIS: May I ... no, look, before...

EMERSON: They have no idea.

BRANDIS: Before I come to your question, let me respond to what Craig said. You announced a policy that the Prime Minister before the announcement said was going to be revenue-neutral last Sunday. We now know that over the forward estimates, it's going to cost another \$4.3 billion. That's in your own document. And in this morning's newspaper we learn that, as well, another \$3 billion - which is not accounted for in your documents - is going to be expended in closing down the old power station. So that's a \$7.3 billion cost to the Budget from a policy that you said was going to be revenue-neutral.

KING: All right, back to my question. If it's not \$30 billion, what is the correct figure?

BRANDIS: We think that it will cost over the ... over four years something of the order of \$12 billion.

KING: And is that something that you've released publicly?

BRANDIS: Yes, it's been ... it was released last year.

KING: All right, you said earlier that you will go to an election offering similar tax cuts.

BRANDIS: No, no, I said better tax cuts.

KING: Alright, better tax cuts.

KING: How? Will that be funded as part of the \$50 billion?

BRANDIS: It will be funded from savings to the Budget, and we will...

KING: So how much extra will that add on to the \$50 billion?

BRANDIS: Well, we will...

EMERSON: He can't answer.

BRANDIS: We will announce the structure of those tax cuts prior to the election. And we will announce the sources of the savings prior to the election. We took \$50 billion of savings ...

EMERSON: Shonky as all get-up.

BRANDIS: ... to the last election which the Labor Party attacked, but which were independently verified by one of the most respected accounting firms in Australia.

EMERSON: Alright, but Senator Brandis, just so that I can understand this: so that's \$50 billion - you've promised those savings - that's going to fund this that and that.

BRANDIS: Yes, savings from the Budget, that's right.

KING: But what you weren't promising when you worked it out to be \$50 billion was that you are now going to offer better tax cuts than the Government offered on Sunday.

BRANDIS: We will put Australians in a better position than they would have ... will be in under the Labor Government's carbon tax because we will get ...

KING: So what will that add to the \$50 billion?

BRANDIS: ... because we will get rid of the carbon tax and we will have tax cuts of our own, and the details of those tax cuts will be announced before the next election.

EMERSON: Another Tony Abbott funny-money scheme.

KING: Final word, Craig Emerson.

EMERSON: The \$50 billion is shonky.

BRANDIS: Independently verified by the most respected accounting firm in Australia.

EMERSON: An accounting firm. And you know that \$50 billion went to the Departments of Treasury and Finance and they found an \$11 billion black hole.

KING: Alright, a final question to you, Dr Craig Emerson. Primary vote for the Labor Party is now at 27 points. Is there a point where the party gets anxious

and says Julia Gillard is not the leader, given that it was much higher when Kevin Rudd was axed?

EMERSON:

No. And what Julia Gillard has demonstrated is that she has the resolve needed to be a great leader of this country. This is a difficult reform. Difficult reforms have been pursued by governments in the past, and the best leaders are those who have pressed ahead with difficult reforms, not because of our political interests but because this is in the long-term interests of Australia and the world environment.

KING:

Craig Emerson, thank you for your time.

EMERSON:

Thank you.

KING:

Senator George Brandis, thank you for your time.

BRANDIS:

Thank you Madonna.