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Transcript  
2SM with Leon Delaney  
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**DELANEY:** As I mentioned earlier today, the front page of the Sydney Morning Herald says: 'Labor strikes it lucky'. The review of the economic forecasts shows an improved budget bottom line. The Sydney Morning Herald seems to think it's a matter of luck; obviously the Government will tell us it's a matter of good economic management. The Minister for Small Business, Craig Emerson, good morning.

**EMERSON:** Good morning Leon.

**DELANEY:** How are you today?

**EMERSON:** I'm very well. I'm actually ringing from Canberra and it's one of those beautiful, sparkling days. You know, those mid-winter days when there is frost on the lawn and snow on the mountains, so yeah, it's a lovely time of the year.

**LEON:** Yes, the crisp, clean mountain air is good for your health, isn't it?

**EMERSON:** Yes, exactly.

**LEON:** Yes, exactly. Okay, is it good economic management or is it just good luck, or is it as Andrew Robb says, dodgy figures?

- EMERSON:** It's a combination of the China boom, which is an absolutely phenomenal development in economic history.
- LEON:** So that's a bit of good luck.
- EMERSON:** And, well, yes, but we are well positioned to take advantage of that China boom as a result of reforms of successive governments – and I would assert, especially the Hawke and Keating Governments – in making sure that we were an open, competitive economy. We are, and you need to be that in order to take advantage of the phenomenal growth in the region, and by China in particular.
- LEON:** The bottom line for the Budget really does revolve around the revised mining resource rent tax, doesn't it? Without that, the big bonus isn't there is it?
- EMERSON:** No, that's not right, I'm sorry to correct you, but the revenue from the Minerals Resource Rent Tax has actually been dedicated to tax cuts for small business, to nation-building infrastructure investment, and to supporting an increase in superannuation for working Australians over time from nine to 12 per cent. It doesn't, of itself, contribute to the budget bottom-line.
- LEON:** But if you take it out, there'll be a big gap, won't there?
- EMERSON:** No. Because this is a tax reform package, so money comes in from the mining tax and it is then used for these reforms, not to achieve that Budget bottom-line surplus of \$3 billion in three years' time – which, by the way, is three years earlier than was originally anticipated. A very important part of achieving that surplus, Leon, is that we are restraining expenditure, keeping within two per cent real growth. So, it's not just China, it's responsible economic management and it's been good for our country. We know that small businesses and working Australians are still struggling, but there have been 350,000 more jobs just in the last year. Our unemployment rate is half of that of the United States. And I think this is important for your listeners, Leon, and that is, there's talk about debt and deficit, and Tony Abbott saying that they would cut health and education in order to get the budget back into surplus quicker - Australia's net debt will peak at just over six per cent of GDP, whereas the average for the advanced countries of the world is over 90 per cent of GDP, so let's keep this in perspective.
- DELANEY:** This is an interesting point, because I get phone calls from people, and emails from people, saying that they're really

alarmed about the idea that we're borrowing \$100 million a day, because that sounds like an awful lot of money.

**EMERSON:** We needed to do that because there was a huge hit – and I'm not confirming those figures, by the way, but we have been borrowing. There was a huge hit on government revenue as a result of the global recession.

**LEON:** Okay, if you're not confirming those figures, how much are we borrowing?

**EMERSON:** I don't have the figure in my head, Leon, but what I'm saying is, of course, being in deficit means that we are borrowing money. But we will return the Budget to surplus in three years time and achieve a peak net debt of six per cent, compared with over 90 per cent for other advanced countries. So, that is a very important achievement. It resulted from a combination of overall economic growth, and because we're well positioned to do it, and expenditure restraint.

**DELANEY:** And when we have achieved surplus do we then pay down that debt?

**EMERSON:** Yep. That's right. Surpluses are then used to pay down the debt. That's exactly how it would work. I mean, our opponents are saying – I'm not quite sure frankly what they're saying – that there should be no debt.

**DELANEY:** Well, they're saying that you're wasting money. You're borrowing too much and you're spending wastefully.

**EMERSON:** Well, let's have a look at what they are actually proposing, and that is to terminate – to terminate – the Trade Training Centres, which is a very important investment in Australia's future; to terminate computers in schools, to get rid of GP Super Clinics. These are the sorts of spending cuts that Tony Abbott thinks are a good idea and are smart for the future. It can't be smart for Australia's future to close down the establishment of Trade Training Centres in our high schools, or computers in schools, or getting rid of GP Super Clinics.

**DELANEY:** When the Minerals Resource Rent Tax was finally announced after those protracted negotiations, we were told that the final arrangement would result in a reduction of revenue of around about \$1½ billion. Now, isn't Andrew Robb right to say these figures are dodgy when it turns out that that outcome hinges on, depending upon, massively increased commodity prices which are, after all, only projections which cannot be relied upon to be set in concrete.

**EMERSON:** Let me deal with that. The forward estimates under the previous mining tax proposal, that is the revenue in the Budget period, was \$12 billion. Under the Minerals Resource Rent Tax it's \$10.5 billion. So that's \$1½ billion difference – not a big difference. What did happen is that the mining companies - when they did finally come to the table properly under Julia Gillard's leadership - advised the Government that prices that they negotiated with China and they were much higher than the figures that Treasury had had. And therefore, yesterday, revised figures were produced. But we keep intact that \$10.5 billion, which is only \$1½ billion short of the \$12 billion that was originally mooted. Now, what Andrew Robb is going on about, I'm not quite sure in this context: they are saying what? That we should be collecting more from the mining tax? When, in fact, what they are saying is that they would abolish the mining tax, give the money back to a mining industry who's quite willing and prepared to pay that extra revenue, and therefore deny small businesses a much deserved tax break, working Australians an increase in their superannuation, and infrastructure investment that they refused to provide when they were in government and this Government is now providing.

**DELANEY:** It's also interesting to note that Bernie Fraser, the former Governor of the Reserve Bank, is being critical of both the Government and the Opposition. While he says the Opposition must have rocks in its head to propose rescinding the tax, he also has given the Government a fairly good going over, suggesting that the final negotiated deal was a sell-out.

**EMERSON:** Well, I was involved with Bernie in the development of the Petroleum Resource Rent Tax in the mid-1980s, and this Minerals Resource Rent Tax is very similar in design to the Petroleum Resource Rent Tax. That PRRT has stood the test of time. It actually collected, during the Howard years, \$16 billion worth revenue – which they did not rescind, which they did not give back to the oil companies. But Tony Abbott is saying that he will give the \$10.5 billion from the Minerals Resource Rent Tax back to the mining companies and deny those small business tax breaks. That's a very, very warped sense of priorities.

**LEON:** But the petroleum tax is at the 40 per cent mark and the minerals tax is at the 30 per cent mark. Of course, Mr Fraser also points out that with the extraction allowance, the effective rate is closer to 22 per cent.

**EMERSON:** And there is a consideration here, Leon, about international tax competitiveness. When the Petroleum Resource Rent Tax was designed, other countries around the world were applying

very high rates of tax to petroleum development, and therefore that 40 per cent rate was competitive with what was going on around the rest of the world. We need to have an eye to what's happening around the rest of the world in terms of mining tax rates, and this rate that has been struck as a result of an agreement with the mining industry is one that maintains a competitiveness of Australian mineral development, but at the same time is one that creates and generates for people a fair share of extra profits from the mineral resources that they own. The people of Australia own those mineral resources. They deserve a fair share of it. We believe that's what we've struck. Tony Abbott believes that the mining industry is paying more than its fair share of tax and wants to give that money back to the mining industry and deny working Australians an increase in their super savings. Someone under the age of 30 would stand to benefit by their retirement by \$108,000 in their retirement nest egg as a result of this increase in superannuation – that Tony Abbott would scrap.

**LEON:** Something now outside your portfolio, but is Chris Evans right when he says the asylum seeker issue is killing the government?

**EMERSON:** Well, look, this is always an issue which is, for as long as I can remember, as being controversial in Australian political debate. I actually remember being around during the Fraser years when the issue of people arriving from Vietnam was first raised. There was controversy then. There was controversy during the Hawke and Keating years, and there was controversy during the Howard years. There's controversy during the Labor years. There's nothing new about that.

**DELANEY:** Okay, what's more important: principle or political advantage?

**EMERSON:** Well, we are developing the sorts of policies which we think are firm but fair. We don't believe in the so-called 'Pacific Solution'. We have differences with the Coalition on this. We don't believe in turning boats around and turning them back out to sea, particularly when there have been incidences of asylum seekers scuttling their vessels. We don't want to see kids drowning in the sea. But we do believe there needs to be a fair treatment of asylum seekers, whether they come from refugee camps or come by boats, and that's why we think that the United Nations High Commission for Refugee processes are fair all round, and they're the ones we're embracing.

**DELANEY:** So why is an East Timor solution different from a Pacific Solution?

**EMERSON:** The location of East Timor is a lot more relevant to the passage of asylum seekers - that is through the area to the North-West of Australia. Nauru is in out in the Pacific Ocean, and we're talking about a regional solution involving the countries where asylum seekers begin their second journey – that is, from their homes to places such as Indonesia and Malaysia, and then they conduct a second journey, which is a hazardous journey, by boat. We want to remove the incentive for people smugglers to convey people by boat, and that involves establishing a regional processing centre.

**DELANEY:** Yes, but if Nauru is prepared to sign the convention on refugees, which apparently they've said they are willing to do – why is that not a suitable location?

**EMERSON:** Well, Nauru, I just pointed out, is in the middle of the Pacific, or out in the Pacific. It's not in the regional area where we are devoting our attention and that is to East Timor, which is in the region where this activity is occurring.

**LEON:** Thanks very much for your time today.

**EMERSON:** Ok, thanks a lot Leon.

**ENDS**