



THE HON DR CRAIG EMERSON MP
MINISTER FOR TRADE

Transcript
Sky News AM Agenda with Kieran Gilbert

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KIERAN GILBERT:

With me now the Shadow Communications Minister, Malcolm Turnbull, and the Trade Minister, Craig Emerson. Gentlemen, good morning to you both.

Malcolm Turnbull, first to you. Mr Abbott not popular. Obviously, the Coalition's still well in front, but it's a battle of who is least unpopular at the moment.

MALCOLM TURNBULL:

Well, politics is a relative business. And, on any measure, Tony Abbott is well ahead of Julia Gillard. Whether it's the personal vote or whether it's the party vote.

GILBERT:

That's the reality isn't it? Despite the compensation recently of the carbon tax, Minister, that the Labor Party, the Prime Minister just awful, awful numbers aren't they?

CRAIG EMERSON:

Well, as I've had occasion to say before, there's been criticism of Labor in the past for obsessing about polls, about being a poll-driven government. We're not.

What Julia Gillard is doing is putting in place the policies to secure the long-term future of this country, including policies on climate change which, obviously, are rather controversial but, nonetheless, important. And I welcome Malcolm's appearance because Malcolm and I, in days gone by, have been involved in some of the important policy debates; for example, on tax reform. And I think that's what it's all about.

GILBERT:

Let's talk about manufacturing. The ... we saw the issue yesterday, the job losses. It's a ... obviously, largely due to the dollar. Minister, I'll ask you first of all. You were in China recently. There was no discussion about the currency? Apparently, the Treasurer is going to go there next week and urge them to float their currency or at least make representations along those lines. Why did you not?

EMERSON:

Well, if you go to provincial mayors in the so-called second-tiered cities, I suppose it would be like going to state treasurers and saying, 'what are you doing about the Australian dollar?' If the Chinese were doing that, the state treasurers would be rather mystified and say, 'well, it's actually set, you know, interest rates are set centrally by the Reserve Bank. It's nothing to do with us'. And I reckon that provincial mayors - city mayors - would give the same answer and wonder why I would be spending ...

GILBERT:

Okay.

EMERSON: ... my time talking to provincial governors and mayors

GILBERT: Sure.

EMERSON: ... about a matter over which they have absolutely no control.

GILBERT: Let's ask Mr Turnbull about this issue. Sovereign wealth fund: you've been an advocate for it for some time. Is this an area where such a fund would be useful?

TURNBULL: Oh, absolutely. The ... this is exactly what we should be doing, and there's a good ... there are precedents for this. Norway's the best example of a comp... of a country which had a natural resource boom because of oil and gas. Their currency shot up, so they said, 'right, we're going to save some of this money; we're going to put it into a sovereign wealth fund, saving for the future, for future generations, and we will use that money to invest offshore in a way that counteracts, that counterbalances, the upward pressure on our exchange rate'.

Now, we can - we're not Norway, I hasten to add - and we can do it in some different ways. We can do some of that exchange rate sterilisation it's called, but we can also be investing in the long-life infrastructure that will be so important to maintain our productivity in the years ahead.

You see, the critical thing we've got to do is improve our productivity. That is what has been going backwards in recent years, in the last 10 years. Well, it hasn't been going

backwards, I should say; it hasn't been growing as fast as it was before. So we need to be ... look seriously at our labour market. We need to look seriously at infrastructure and we need to look seriously - and this is where Labor has been most culpable - at saving rather than spending.

GILBERT: Well...

TURNBULL: They are saving none of this boom. They have wasted it. And that's really, that's where Craig and I were at odds - cordially of course, naturally.

EMERSON: As usual.

TURNBULL: ... as usual, in the course of the last stimulus where they spent ... where, in my judgement...

GILBERT: [Indistinct]

TURNBULL: ...the point I made when I was leader: they spent too much and they spent it ineffectually.

GILBERT: Well, let's get Craig's ... Craig Emerson's thoughts on the idea of the sovereign wealth fund in this context.

EMERSON: In a conceptually...

GILBERT: There's a hell of a lot of money going out, as the Prime Minister announced yesterday.

EMERSON: Yeah.

GILBERT: Thirty million immediately; 100 million in terms of bringing forward the steel adjustment. It makes sense, doesn't it?

EMERSON: Well, in conceptual terms it does, and we are doing it in practical terms. Let me explain.

In Norway, they have a profits-related tax on oil equivalent to our petroleum resource rent tax, which is from the same stable as the mineral resource rent tax that we're applying, right, to the minerals sector - which Tony Abbott would repeal.

Now, the proceeds of that are being used to do exactly the sorts of things that Malcolm has said: to promote domestic savings. How? Through increasing superannuation contributions over time from 9 per cent to 12 per cent - totally opposed by Tony Abbott.

Investing in small business competitiveness by giving them an immediate write-off of assets now valued up to six and a half thousand dollars each and cutting the company tax rate. And doing again what Malcolm said, investing in infrastructure.

Now, we're doing that in Australia because of the two-speed economy. We are happy to seek to support that slower growing part of the economy through boosting its competitiveness. So, conceptually ...

GILBERT: And yet, the Coalition wants to block that.

EMERSON: Exactly.

GILBERT: ... the mine ... the minerals tax.

EMERSON: Wants to repeal the lot.

TURNBULL: Well, hang on. The mineral resource rent tax is a poorly designed tax, and it is basically taking away fiscal power from the states. I mean, the states have got very limited powers of taxation; that's one of the big problems in the Australian, you know, constitutional arrangements.

Now, the states are in a position to increase royalties on mining companies if they choose to do so, and they've - and they had, in fact - have done so recently.

So, there is no justification for the Federal Government to march in and take ... raise...

GILBERT: Well, we're not going to...

TURNBULL: ... and take over this taxing power.

EMERSON: But my point...

GILBERT: We've had this debate.

EMERSON: Yeah.

GILBERT: We have had this debate before, Minister. So, I'm sorry to cut you off, but I want to ask you about some of the more current, sort of, emerging issues. Buy Australia campaign: will you be urging your colleagues not to go too far with this?

EMERSON: Of course.

GILBERT: That this is a...

EMERSON: Of course.

GILBERT: ... regression.

EMERSON: I mean, I was actually responsible for the original Australian Made campaign. There's nothing wrong with asking people to stop and compare in shops, as that was for retail.

GILBERT: But are the Chinese...

EMERSON: That was retail.

GILBERT: ... requiring Australian businesses to buy Chinese?

EMERSON: Well, I haven't seen evidence of that. But if people...

GILBERT: Manufactured product.

EMERSON: ...want to bring forward such evidence, if that's the assertion, then bring forward the claims. I'm sure that our Industry Minister, Kim Carr, would look at that.

But there shouldn't be - nor to the credit of people involved in this debate is there - an expectation that there'd be mandated minimum local content.

Some people have talked about that. People like Martin Ferguson have pointed to the folly of it, because then there's no, you know, incentive for cost containment whatsoever.

So, I think it's actually been a pretty mature debate, and there's nothing wrong with the concept of urging people to buy Australian products. It's just when you get into the mandating and ...

GILBERT: Okay.

EMERSON: ... what I'm saying is into absolute obligation...

GILBERT: Can I bring it back full circle. I'll get...

TURNBULL: [Indistinct]

GILBERT: I'll get your thoughts on that...

TURNBULL: Sure.

GILBERT: ...but also, Mr Turnbull, can I ask you about what we ... to bring it back full circle to where we were on the currency issue...

TURNBULL: Mmm.

GILBERT: Mr Swan's going to announce - or, you know, try and raise this issue in Beijing, I think it's next week. He .. the Chinese, really, I mean, they're not going to float the ... their currency because Australia says, you know, 'do it'.

TURNBULL: Well, n... well, of course, they're not. They don't take any notice of the Americans on that

issue; so they're unlikely to be persuaded by Mr Swan.

The Americans are, obviously, putting downward pressure on their currency by keeping their interest rates at, effectively, as close to zero as is practical. So, the Americans are trying to, essentially, inflate their way out of their debt problem.

I mean, if you think about it, the Americans have got gigantic debt. How can they deal with it? One, they can, you know, increase taxes and cut expenditure. They're not going to do that. They can default. Well, they chose not to do that. The other way is to be...

EMERSON:

That was a relief.

TURNBULL:

Is to progressively - it is a relief - progressively devalue their currency so they pay people back. But what they get is not worth what they originally lent in terms of the lender's original currency. So, that's what's going on.

Now, the Chinese are, you know, playing a currency war there with the United States. They're unlikely to be persuaded by us. But I just want to make this point about manufacturing industry, and it's not just manufacturing industry, it's tourism. You know, there are a whole number of islands in the Barrier Reef that have closed down - island resorts - because there's no ... you know, well, shut down temporarily one hopes. Tourism is getting hammered, particularly in Queensland, in Craig's state. He might be able to talk about that.

The universities, one of our biggest exporters, are not getting the same number of foreign students. And this is all because of the Australian dollar.

Now, what's happened, of course, is it's been a dramatic appreciation, and this ... if you had an appreciation over a period of years, there would be time for industry to adjust. But it's been very dramatic, and that's why a lot of industries, a lot of firms, have been caught, you know, very suddenly.

Now, if we had the buffer of a sovereign wealth fund - which we don't, but we've got to plan for the future - that would be something we could use. But the Government, really, is going to need to provide some practical policies to respond to this and to cushion this impact, because the risk is that at the end of this shock, at the end of this currency shock, when the co... when, we hope, the currencies come back into some form of equilibrium, there will be whole sectors of our economy that will be dramatically damaged.

I mean, just to give you an idea of what's going on, the Commonwealth Bank of Australia published some research yesterday, which estimates that over the next two years - this is based on the Reserve Bank's figures - the mining industry will grow at 16 per cent, the rest of the economy will grow at about one and a half per cent.

GILBERT:

Okay. Well, let's...

TURNBULL:

So, that's almost ... that's close to recession levels.

EMERSON: Isn't it refreshing...

GILBERT: Can I ask you one last question on this?

EMERSON: Isn't it refreshing to have some proper policy analysis and proper policy discussion. I don't agree with everything that Malcolm has said, but he says at least...

GILBERT: I feel a ... I feel a political boot coming in.

EMERSON: Can you feel the love? No, no.

GILBERT: No, I'm feeling a boot coming in.

EMERSON: You feel the love.

TURNBULL: Bracing myself.

EMERSON: [Laughs]

GILBERT: This is like a back-handed compliment.

EMERSON: No, I'm not - I'm saying you do need a profits-related tax if you're going to have a concept of a sovereign wealth fund. Now, Malcolm must, out of loyalty to the Coalition say, 'oh yes, but we don't like this particular one'.

TURNBULL: Well no...

EMERSON: It's designed on the basis of the same one, the Norwegian tax. But in any event, what Malcolm is saying is that the dollar is actually adversely affecting the competitiveness of Australian industry. And it's happened very

quickly, so that the adjustment processes aren't as smooth as they otherwise could be.

GILBERT: With Chinese investment in manufacturing: is it important that the Chinese are encouraged to invest in our manufacturing industry. That, I think, the Chinese ... Australian Ambassador to China, or former, Geoff Raby was encouraging the Chinese to get into, buy manufacturing, so, they're not just importing the raw product, that they can be part of the...

EMERSON: Well, that's...

GILBERT: ...steel manufacturing process.

EMERSON: Again, that's called economic integration between two countries. And you have Tony Abbott saying, 'oh...

GILBERT: Is it ... would that be a saviour of the industry?

EMERSON: Well, conceptually again, this sort of thing makes sense. But as soon as I say that, Barnaby Joyce will be out saying, 'see Emerson's allowing China to come and buy up the farm and buy up all our famous brand names, and so on'. So, you get this, kind of, hysterical xenophobic stuff coming out of the National Party.

Let's have a proper debate about genuine economic integration.

The reason - one of the primary reasons - we've had two decades of recession-free growth is economic integration with our...

GILBERT: Okay. Let me...

EMERSON: ...region.

GILBERT: Let Mr Turnbull just respond quickly. I've got two other issues I need to get to in the last couple of minutes, Mr Turnbull, if you want to just...

TURNBULL: Well I ... just on this sovereign wealth fund, you'd ... to fund a sovereign wealth fund you just need money. You don't have to raise it from a particular tax on...

EMERSON: That's what Norway does.

TURNBULL: ...the ... you can raise it out of ... fund it out of general revenues, out of surpluses. And, of course, the future fund, which Peter Costello established was ... is partly funded out of asset sales, but also out of surpluses. So the ... what you need is a government that is not a reckless spender...

GILBERT: We've only got a couple of minutes...

EMERSON: What you actually need...

GILBERT: ...I do need to ask you about an...

EMERSON ...what you actually need is an alternative government that is not \$70 billion in a black hole.

GILBERT: Okay, let's move on. I want to ask you...

EMERSON: You can't have a sovereign wealth fund...

GILBERT: Okay.

EMERSON: ... when you're minus \$70 billion.

GILBERT: All right. Mr Turnbull, Craig Emers ... Craig Emerson is here. Craig Thomson...

TURNBULL: Not to be confused.

GILBERT: Not to be confused, no, in that Senator Brandis wrote to the New South Wales Police Commissioner urging action on this. Are you comfortable with that sort of approach, you know, given the tradition of separation of powers - that politicians shouldn't go there?

TURNBULL: Oh, well no, look I think Commissioner Scipione will make his decision about Craig Thomson's matter, utterly independently. And I think he'd take the view that all suggestions are gratefully received, but I don't know that...

EMERSON: [Indistinct] doing.

TURNBULL: Well I don't know there would be. I'm sure they wouldn't be ignored.

EMERSON: But you shouldn't put people under political pressure.

TURNBULL: But the police ... the police ... I'm sure Scipione will make an independent decision on that. As far as leaving aside the legal side of this, Mr Thomson does have some very big issues to answer. Now there's been a lot of very grave allegations made against him, and I don't support trial by newspaper or, you know, prosecution by newspaper. But all those

allegations have been made against him. He's got 100,000 electors there in the seat of Dobell. He's a member of the Australian Parliament.

What Craig Thomson should do - he says he's innocent of all of this. What he should do - and this is basically what I remember what Kerry Packer did; I helped write the statement many years ago when he was accused of a lot of wrongdoing - what Craig Thomson should do is stand up in Parliament and make a comprehensive statement of all the facts, matters and circumstances. Lay it all out and so he can say, 'right, these all ... here are the allegations', you know, A to Z. This is why they're wrong. Here are my answers. And then let him be judged. And that's what he should do.

GILBERT: And there are further allegations today about the use of his mobile phone to some staffers of senior politicians and Labor figures.

EMERSON: Sure, and...

GILBERT: And the same phone that was used to apparently acquire escort services.

EMERSON: Yeah, yeah, allegedly.

GILBERT: So that's...

EMERSON: Allegedly.

GILBERT: These are further allegations...

EMERSON: Purportedly.

KIERAN GILBERT: Yeah, yeah.

EMERSON: Purportedly. And...

GILBERT: So why not do what Malcolm...

EMERSON: Well, Mr Thomson has...

GILBERT: ...Turnbull says?

EMERSON: ...has denied the allegations against him, all right? Now, the allegations relate to a period before he was a Member of Parliament. The allegations contain no suggestion of criminality whatsoever. He has, nevertheless, denied them. If we get into a situation where demands can be made by the Opposition Leader and the New South Wales Premier that a Member of Parliament resign because allegations of a non-criminal nature were made against them before they came into the Parliament, well get ready for the revolving door.

GILBERT: Okay.

EMERSON: Get ready for the revolving door.

GILBERT: I have one minute left on the show, so I really have to encourage a pithy answer on this.

EMERSON: Okay.

GILBERT: The NBN: Malcolm Turnbull's argued that this is going to allow for a blow-out, increases in prices over inflation. What's your response?

EMERSON: Well, Malcolm's got his job to do, but I'd just say this about the National Broadband Network; it is a national network just like the copper wire network was a national copper wire network. I don't remember the Liberal Government at the time when that was being rolled out, saying 'oh my God, we shouldn't have a national monopoly arrangement here. What we should do is just tender it out and see what might happen'.

GILBERT: Okay. Let's...

EMERSON: The point is that this is a great productivity improving reform.

GILBERT: All right. Malcolm Turnbull?

TURNBULL: Well you can't suspend the laws of economics. And if you have a massive, over-capitalised government-owned monopoly, that will tend to put upward pressure on prices - not downward pressures, naturally. That's what monopolies do. And what I raised yesterday was the fact that in its submission to the ACCC the NBN is seeking the ability on all of its products, except for the very - the slowest one - to be able to have the ability to increase those prices every year by CPI plus 5 per cent. Up to 5 per cent.

Now we've seen telecom's prices - broadband prices in particular - coming down, year after year. Why? Because of competition. So what is this monopoly going to do? A bad deal for taxpayers and an even worse deal for consumers.

GILBERT: Gentlemen, we'll reconvene at another time. Thank you both for your time and thoughts this morning.

EMERSON: I knew at one point we'd come to a disagreement. Thanks for a policy discussion. It's refreshing.

GILBERT: That's all for the program. I'm Kieran Gilbert. Thank you for your company.