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GILBERT: Good morning and welcome to AM Agenda. Prime Minister Julia Gillard will today address the National Press Club here in Canberra as she faces yet another difficulty in her bid to form government. Julia Gillard and her team have repeatedly argued that Labor won the two-party vote, the popular vote. Well, that's not the case any more. The Coalition is now in front on that, as well as the primary vote. Joining me this morning to discuss this and the other matters of the ... and the other matters around the hung Parliament, Liberal frontbencher Sophie Mirabella and Labor front bencher Craig Emerson. Good morning to you both.

MIRABELLA: Morning.

EMERSON: Good morning, Kieren.

GIBERT: Craig, this is a problem for Labor. Julia Gillard repeatedly said that Labor won more votes, more people preferred Labor. But overnight the numbers have changed.

EMERSON: Well, let the count continue because there is still a very substantial number of votes to be counted. I would expect there would be absentee votes, there will be postal votes, there will be provisional votes. In my own electorate, and I can only speak for my own electorate, provisional votes traditionally go Labor's way. In addition a total of eight seats have been taken out of that count to be recalibrated as between the Coalition and Labor to get a final two-party preferred number. That will take some time.

GILBERT: And those seats will return...

EMERSON: As I understand it they will then be recalibrated.

GILBERT: If that's the case, do you then stand by the suggestion that whoever wins the two-party vote should have first dibs?

EMERSON: Well, votes are a consideration, there's no doubt about that. They are a consideration, but very importantly for the Australian people stability of government is a very crucial consideration. And we've had revealed today, through the statements of Judy Moylan and Russell Broadbent, that Mr Abbott can't count on the votes of members of his own political party – that is the Liberal party – to form a stable government delivering on a key election commitment here, namely the resumption of asylum seeker processing in Nauru.

GILBERT: That's something I want to get to a bit later, because it's an interesting point to look at. But first on the votes; Sophie Mirabella, with the Coalition now in front on the two-party – Craig says there's a lot of votes to be counted and be recalibrated – would you suggest now that that is something that should be decisive, that two-party preferred vote? Certainly beforehand Tony Abbott was saying no, the primary vote should be the indicator.

MIRABELLA: Well, we're ahead 600,000 on the primary vote and ahead on the count of seats ...

EMERSON: No, sorry, that's not right.

MIRABELLA: ... and also remembering that we haven't had a first term government rejected so comprehensively in more than 70 years. And Ms Gillard's moral argument that she was ahead on the two-party preferred vote is now dissipating. Now, the Labor party will say and do anything to hold on to power and Ms Gillard will say and do anything to ensure her political career doesn't end. So, I won't be surprised if the Labor party changes its mind on what's important and what isn't important. The facts are there on the table. This was a comprehensive rejection of a first term government. Unthought of 12 months ago. We are way ahead on the primary vote and ahead on the count of seats ...

EMERSON: Not correct.

MIRABELLA: ... and again it will be very interesting to see what contortions the Labor party will come up with. Craig raises the issue of stability. If the Labor party couldn't provide stability with a majority, if Kevin Rudd couldn't trust Julia Gillard and his colleagues, how can they provide stability and trust in a minority government?

GILBERT: Can I ask you about the seats because Craig interjected a couple of times there, and I suppose the argument is that isn't it split down the middle, the seats. You're relying on the WA National who says he's a crossbencher, and Labor already has the support of the Greens member for Melbourne, so it's really 73 all.

MIRABELLA: Well, if Craig is saying that a vote for the Greens is a vote or Labor, that wouldn't be a surprise to me.

EMERSON: Don't put words in my mouth. I didn't say anything, so don't interpolate what I might say. It's 72 all with a National who has reaffirmed ... a Western Australian National who has reaffirmed that he is an independent. He said it just after the election, he said it before the election and he said it again in the last day or two.

GILBERT: Let's hear Sophie elaborate and I'll come back to you.

MIRABELLA: And, look, I can understand and I feel for Craig. I can understand why he's upset. No one in the Labor party expected this to happen and it's quite tragic for a lot of people who have lost their seats, and I understand why he can't control himself this morning. I forgive you Craig. The reality is that Tony Crook is staying in the National party room. We are a Coalition of independent-minded people. We have vigorous debates. We don't have six faceless men deciding what we're going to say, who's going to say it and what our Coalition and what our parties stand for. We have a vigorous debate and I was heartened to see Tony stand up for ... Tony Crook stand up for Western Australia. They're very independent-minded, whether they're Liberals or Nationals. We are a team and we will continue to be a team and a family; and sometimes families do have vigorous discussions. At the end of the day they do operate as a family.

GILBERT: At the end of the day, he is a Nat. He ran as a National, this guy. So, even though he says, 'I'm independent' he sat in the party room of the National party yesterday.

EMERSON: He sat in the party room of the National party and indicated, and indicated that he would not sit in the joint party room, and that he would make his own decisions. And that means he's an independent. That means it's 72 all. Now, we can spend the rest of the program debating that, but the fact is it's 72 all. The Green has indicated general support for Labor, Mr Crook has indicated, in the broad, support for the Coalition. But he will vote for each and every issue as he sees the interests of his electorate in Western Australia. But the matter that is really at the heart of this is the stability of Government. Now, Mr Abbott went to the Australian people saying the day that he becomes Prime Minister he will begin the process of re-establishing an asylum seeker processing centre in Nauru. It is now clear that policy is dead in the water. Dead in the water.

GILBERT: I was going to ask you about that, and now that Craig's raised it again can you respond? Because the point is – for our viewers that haven't caught up on this – that Judy Moylan and Russel Broadbent, they opposed Nauru and the offshore processing under the Howard Government. Now, the first thing Mr Abbott is going to do as Prime Minister is phone the President of Nauru. But you've got these two Liberal moderates that could well cross the floor, likely to cross the floor, and if you lose one vote in this House with a majority of one the legislation is scuttled, or the policy is scuttled.

MIRABELLA: Well, no that's not true. And I'm sure Craig would like to spend the whole program speaking about individual members of the Coalition to deflect from the disaster and the meltdown that is occurring within the Labor Party. The reality is that the legislation to enable offshore processing is still in place. The Labor party didn't get rid of it. It's still in place. Whether it's Nauru or East Timor, the legislation is on foot. So there is no legislation to change any situation regarding offshore processing.

GILBERT: So everything is in place to pursue the Abbott-Nauru approach?

MIRABELLA: Yep. Legislation enabling offshore processing is still there. What the Labor party is very afraid of is to admit that they were wrong and that's why they didn't pursue the Nauru option. They didn't want to say that John Howard ...

GILBERT: Well, let's get Craig's response: if the legislation is there this argument about Russel Broadbent and Judy Moylan is then a moot point.

EMERSON: I don't accept for a moment that no legislation would be needed to re-establish a processing centre in Nauru.

MIRABELLA: But Craig, isn't that correct that the legislation is there?

EMERSON: I don't accept that for a moment. That is not the policy that we legislated.

MIRABELLA: Hold on, the legislation to enable offshore processing is still there.

EMERSON: Could I finish now? I don't accept that for a moment. But, let's add to that: Temporary Protection Visas. Tony Abbott has said that he would reinstate Temporary Protection Visas. Judy Moylan and Russel Broadbent are totally opposed to the reinstatement of Temporary Protection Visas. So much for the one big happy family that all votes the one way. This is not going to be one big happy family - it will be an unstable government. I think the question that the Australian people deserve an answer to is how many of Tony Abbott's other core promises will hit the fence as a result of the fact that he can't even count on the numbers in his own political party – that is the Liberal party – or in the National party which are increasingly asserting their independence, or the independents.

GILBERT: Well let's get Sophie to respond because it's a pretty big policy this one, about the Nauru offshore processing. This was the first thing he would do as Prime Minister. So if you can't reassure ...

MIRABELLA: Well he can. Craig is living in an alternate universe if he doesn't understand the fact that the Labor party did not change, did not touch, did not alter the legislation enabling offshore processing. It's a fact. Full stop. Have a look at the legislative program, you didn't amend it. It's still there. For you to try and claim that as some sort of issue of division in the Coalition ...

EMERSON: I'm not claiming it as an issue of division – Judy Moylan and Russel Broadbent are.

MIRABELLA: You had your go, let me have a go. I think it smacks of desperation and at worst ignorance of the legislative program of the Rudd-Gillard Government.

EMERSON: And go on to explain Temporary Protection Visas.

MIRABELLA: They didn't alter the legislation. Now we've got the Labor party about go and melt down. We've had Anna Bligh blame Gillard. We've had Bob Hawke blame individual candidates. They are on the precipice of an absolute bloodbath.

EMERSON: And the independents are getting phone calls from wayward Coalition MPs telling them what to do and seeking to intimidate them.

GILBERT: We'll get to that in a moment. I want to ask you about the National Press Club address today by Julia Gillard. How does she smooth over all those issues, because there are sensitivities? I mean, probably more than that, simmering tensions ready to boil over in parts of the Labor party after what was a terrible result at the election. How does she smooth over that and recalibrate this argument about the two-party vote when she repeatedly said that this was ... that Labor should have the right to form government because it got the higher vote? How does she manage all that today?

EMERSON: Well, OK, I'll directly answer your question in a moment. But you did also point out that Tony Abbott said that it's the primary vote that matters, not the two-party preferred vote. Amazingly, it's the two-party preferred vote that really matters, and then Sophie tries to tell us it's 73/72, which is also incorrect. Look, what we will do is continue to exert the normal collegiate approach to policy issues in our party. What we do is we have robust debates within our party room. There's no doubt about that. And sometimes when information about those robust debates comes out, the media – I understand why – says, 'there's division in the party room'. But what happens as a result of those robust debates is that we come to a position, Kieran, we come to a position. And you can count on Labor party members to back in the position because they've had a say in the Caucus. In respect of the Coalition that is not the case.

GILBERT: It's difficult is it not for Gillard because she said the two-party vote was the key vote, and now you're behind.

EMERSON: Well, I'm saying ...

GILBERT: Her showing up at the Press Club this afternoon – it will be difficult to massage that.

EMERSON: Well, let the vote continue. For the Coalition to claim victory on the two-party preferred vote ...

MIRABELLA: We're not claiming that.

EMERSON: ... on the basis of 2,000 votes when there's hundreds of thousands, if not more, yet to be counted, is not correct, would not be correct.

GILBERT: They've also got a 600,000 vote lead on the primary vote. That's the key point they're making.

EMERSON: Well, it was yesterday, but today it's the two-party preferred vote.

MIRABELLA: No it's not. We're saying if Ms Gillard's main moral pillar of seeking to form government was that she was ahead on the two-preferred vote, that has dissipated. Craig's really being quite silly. There isn't vigorous debate in the Labor party. They didn't even debate the change of leadership. There were members of the Labor Caucus that didn't even know the leadership had changed from Kevin Rudd to Julia Gillard. And if there was a Caucus discussion on something like the people's assembly to decide the issue of an emissions trading scheme. That says a lot about the level of debate within the Caucus.

EMERSON: That was during an election campaign and you know very well that was a policy done during the election campaign.

MIRABELLA: So there was no consultation? Are you saying that was Ms Gillard ...?

EMERSON: Well, we don't have Caucus meetings every day. This is a revelation to you – that during an election campaign you don't have a Caucus meeting every day? Wow, Sophie ...

GILBERT: Let's take a quick break, we'll be right back on AM Agenda, stay with us.

[Commercial break]

GILBERT: Welcome back to AM Agenda. With me now is Sophie Mirabella and Craig Emerson. Sophie, I want to ask you about something Craig touched on before the break, and that is a couple of the mavericks causing some headaches for Tony Abbott. He's had to apologise twice; once for Alby Schultz, once for Bill Heffernan. It's not helpful is it to his bid to try and form minority government, win over the independents, if you've got a few people phoning up and, you know, giving them what for.

MIRABELLA: Oh, look, we have a whole collection of colourful individuals. Alby's good mates with Tony Windsor and Tony mentioned that. And, yes, Tony has apologised but Tony is in charge of the Liberal party. Tony is in charge as head of the Coalition. That's more than I can say for Julia Gillard where people are behind her telling her what to say, who she can pull into line and who she can't because of the complicated factional deals and power-plays within the Labor party. The reality is, yes, we are a party full of individuals and some people will occasionally get a bit too excited and behave perhaps inappropriately. And whether this happened on this occasion ... and

Tony stepped in as a leader should, because he is a leader in the true sense of the word.

GILBERT: And Tony Windsor did say, Craig, that Alby Schultz is his mate. Other people who know Bill Heffernan know that no malice behind ... that's the short of joke that he does from time to time.

EMERSON: Sure, these things come and go, but for the Australian people the fundamental issue remains; how many of Tony Abbott's promises is he going to keep, is he prepared to keep? Remember before the 2004 election he said he would make a rock solid, ironclad promise not to tamper with the Medicare Safety Net, and he did straight after the election. Earlier this year he said under a Coalition there will be no new or increased taxes. Two months later a great big new tax on everything you buy. Asked to explain that he said, 'I changed my mind. I changed my mind'. So, how many times is Mr Abbott going to change his mind if he were to become Prime Minister in a Coalition party room where he has members of that party room already saying that they will not necessarily support him on the key commitments he made on the campaign. Will Mr Abbott then say, 'that's it, I've had a gutful, we're going back to the electorate.' When asked, 'well Mr Abbott, you said you'd serve the full term' he'd say, 'I changed my mind.'

MIRABELLA: I can assure you for one thing, I've known Tony Abbott for a long time ...

EMERSON: And he changes his mind.

MIRABELLA: He is a man with a backbone who is control of his destiny.

EMERSON: Ask Judy Moylan and Russel Broadbent.

MIRABELLA: Unlike Julia Gillard who is beholden to the faceless men, the Shortens, the Arbibs of this world. He will be, if he's given the opportunity, a stable Prime Minister. He will be a leader. He will be a leader and no one will be in doubt as to who is the political head ...

EMERSON: Except his party room.

MIRABELLA: ... the political head of this nation.

EMERSON: They'll accept that he's the Prime Minister, but they will not necessarily implement his policies.

MIRABELLA: Settle down Craig, settle down dear. The Coalition party room is full of people who have their own ideas. We are a robust party room. We had a very stable Coalition Government, and not only under John Howard but previously we've had stable Coalition governments at the same level. We're used to doing this sort of thing. We're used to negotiating. We are not a party room of automatons. We are not a party room of wind up dolls that get told what to say and pushed out in front of the camera.

GILBERT: Do you concede that there are some sensitivities within the Nationals as well? That the Nationals feel that the independents are getting all this air time? There will be that tension there.

MIRABELLA: Look ...

EMERSON: And will assert their independence.

MIRABELLA: There are always issues to be discussed and debated. There ... to be in politics you have to have a lot of I suppose self-confidence in yourself. And people's priorities can change, conflict with others. It's a question of balancing everything out. Democracy is about compromise, to get the best possible direction for this nation. And we have – that is our tradition in the Coalition – we have that compromise, we exercise it all the time. But Craig will say or do anything.

EMERSON: Could I squeeze a word in here?

MIRABELLA: He won't answer any of the questions about who actually controls the Labor party. That's what people were very concerned about in this election.

GILBERT: Just finally, Craig. I've got to wrap up soon, but your response?

EMERSON: The independents will assert their independence because they are independent. The National party will not be out-independented by the independents. The National party will not accept the independents going one way and the National party having to support the Liberal party on all of these key policy matters. Therefore there is a real tension in terms of the stability of an Abbot-led Government. And he will not be able to keep his key commitments. He may not want to keep his key commitments. He'd then say, 'oh, the party room wouldn't let it through'. This is a recipe for instability. Mr Abbott would lead an unstable government. A number of the independents have said the premium is not on votes, but on a stable government. And he will not deliver it.

GILBERT: Alright, Craig Emerson, Sophie Mirabella, as always great to speak to you both.

MIRABELLA: Thank you.

EMERSON: Thank you.