



THE HON DR CRAIG EMERSON MP
MINISTER FOR TRADE

Transcript
Sky News AM Agenda with Ashleigh Gillon

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ASHLEIGH GILLON: Joining me this morning on our panel of politicians to go through some of these issues and more, the Trade Minister, Craig Emerson, and the Shadow Assistant Treasurer, Mathias Cormann. Good morning to both of you.

CRAIG EMERSON: Hello, Ashleigh.

GILLON: Thank you for joining us.

MATHIAS CORMANN: Good morning.

GILLON: Minister, let's start with you. On this carbon tax story reported by the SMH today: it says that \$9 billion ... it's going to cost more than it raises in the first five years until 2020. The Government

insists, of course, that this is going to be Budget-neutral. So what do you make of this analysis?

EMERSON:

I think it's actually an assessment that if the carbon price fell towards the floor price.

Now, we've had the debate so far saying that the carbon price will go up and up and up; and this is an analysis of if the carbon price fell towards the floor price. And, of course, you need to take into account that if the carbon price was lower then impacts on industry would be lower and the need to issue, or the cost of issuing, free permits would be lower.

So the fact is once we move from the fixed-price permit period of three years into a floating price, it floats - just as it would under John Howard's scheme, which he announced in 2007, which was supported by the Coalition at that time. A market-based scheme is just that: a market-based scheme.

But I'd just remind your viewers that this is an analysis of not if the carbon price goes up and up and up, but if it goes down and down and down.

GILLON: And how realistic is that: that it may go down and down and down? That's certainly something that might happen.

EMERSON: Well, I mean, if it goes down - if it were to go down - then none of the fears and the scare campaign that have been launched are actually warranted. But if those who are arguing against a carbon price are saying now 'watch out, the carbon price might be too low', I think you can't have it both ways.

You know, either the fear is that it's going to be too high and going up and up and up - which we don't share because it'll be linked ultimately to the international price - or there's a new fear campaign saying: 'Watch out, the carbon price might fall; wouldn't that be terrible!'

GILLON: Mathias Cormann, does that explanation satisfy you?

CORMANN: Only the Labor Party can come up with a multi-billion dollar new tax which actually leaves the Budget worse off. And Craig is being quite disingenuous there. On the Government's own figures, the carbon tax package will leave the Budget worse off at least to the tune of \$4.3 billion over the current forward estimates.

Now, Treasury officials have told me during a Senate inquiry that quite a bit of the cost is actually put in the period beyond the forward estimates: for example, the cost related to buying back ... buying out so-called dirty coal-fired power stations.

When Kevin Rudd tried to get the Carbon Pollution Reduction Scheme legislation through the Parliament, he actually published in the Budget papers 10 years, a fiscal impact over a 10-year period. Julia Gillard hasn't been that forthcoming. She hasn't been that open and transparent.

If there is a proper explanation, and if Labor truly is convinced that the carbon tax is going to be Budget-neutral over the next decade, then really, the Government should be publishing all of the information; not just over the forward estimates, but between now and 2020. And, of course, they haven't done that because they know that the situation is expected to deteriorate further.

And this, of course, comes on top of the mining tax package, which we have conservatively estimated will leave the Budget worse off to the tune of about \$20 billion between now and 2020.

GILLON: Craig Emerson, does the Government have any plans to publish those longer-term estimates? And can you sit here today and guarantee that this is going to be a Budget-neutral exercise?

EMERSON: Well, Mathias is right about the \$4 billion. The reason he knows about that is we published it. And that is because we are prepared to support the steel industry and the Coalition is not. It said it would pull that out.

We've done the economic modelling out to 2020 and it actually shows a very large increase, of 1.6 million, in jobs in this country; not a cut in jobs. That's been released. That's been updated ...

CORMANN: [Interrupts] You haven't published the Budget in...

EMERSON: ... that has been updated as the Coalition sought; an update from \$20 per tonne to \$23 per tonne.

But the situation remains the same - and Mathias, I think, as someone who's supposed to be interested in market economics - is that when it floats, it floats ...

CORMANN: [Interrupts] I'm very interested in the Budget deficit that you're...

EMERSON: ... it moves up and it moves down. And what he's saying is: 'Well, the situation might get worse; that is, that the price might fall.' Well, I don't understand the Coalition's critique. Are they worried that the price will go up or are they worried that the price will go down?

GILLON: Minister, can I just clarify. Greg Combet's office said to us this morning that the Government is still confident that they - you - can achieve a broadly Budget-neutral scheme.

EMERSON: That's right.

GILLON: Are you backing that up today?

EMERSON: That's right, of course. But what I'm saying is there's either got to be a fear campaign...

CORMANN: [Interrupts] ...publishing the figures on it.

EMERSON: ... there's either got to be a fear campaign that the price is going up; but there's a new fear campaign that the price is going to go down.

But talking about Budget impacts, because Mr Abbott is refusing to link the Direct Action plan to international markets - because he's against markets

and he seems to be against foreigners - the cost of his Direct Action plan has gone up from \$720 per household - that's a tax impost on households - to \$1300 per household, simply because he doesn't like the idea of markets, particularly international markets which involve those rascally, pesky foreigners.

GILLON:

Mathias Cormann, a few things for you I'm sure that you want to respond to there. But, also, can I bring up the Australian Coal Association? It, too, is also putting in a submission to the Carbon Tax Inquiry today. It's claiming that there's going to be an \$18 billion cost to the industry over 10 years of this tax being introduced. It also argues that the level of compensation isn't generous enough.

But it says that with this compensation, it would only delay by one year the closure of four mines under threat from the carbon tax.

The Coalition has been arguing for some time that this is going to spell the end of the coal sector in this country. Is that an exaggeration on the Coal Association's own submission to the inquiry today?

CORMANN:

Well, I mean, the carbon tax will push up the cost of everything, so it'll be bad

for household budgets; it'll make Australia less competitive internationally; so it'll be bad for the economy. It'll cost jobs and it won't help ... it won't reduce global greenhouse gas emissions; it'll just shift them overseas.

So, and today, I mean, we see some more analysis which says that it's not just bad for household budgets; it's not just bad for the economy; it's also bad for the Federal Budget. And nothing that Craig Emerson has said this morning gives us any reassurance that this is indeed going to be Budget-neutral.

If the Government claims that this will be Budget-neutral between now and 2020, then they should release the revenue and the expenditure figures related to the carbon tax package between now and 2020. Otherwise, this is just hot air and he's just making unsubstantiated assertions which, quite frankly, nobody across Australia can believe.

GILLON:

But, Senator, do you acknowledge that some of the claims we've heard in recent months from the Coalition may have been exaggerated when it comes to the impact of the carbon tax on the coal sector?

CORMANN: Well, no, I don't acknowledge that at all. Like, we are making judgements on the basis of the very limited information the Government has put out there. Like, we've just got to always remind ourselves we were promised in the lead-up to the last election there will be no carbon tax under a government led by Julia Gillard.

EMERSON: You're still not answering the question.

CORMANN: In February this year, we were then told by Julia Gillard and Bob Brown that there would be one. The Government was very slow in releasing the detail. People across Australia were told, 'don't you worry, as soon as the detail is out you're going to like it'. Well, guess what? All of the detail is out; people still don't like it; people still understand that this is some ... that this is a tax that will just push up the cost of everything. It will cost jobs, and all of that without doing anything to help reduce global greenhouse gas emissions. It is just a ridiculous policy and one that people don't support.

GILLON: Do you accept, Minister, do you accept that mines are under threat as a result, a direct result of your carbon tax?

EMERSON: I'll answer that very, very directly. You asked Mathias Cormann two questions about the coal industry...

GILLON: [Interrupts] Let's answer the question first.

EMERSON: ...and he ignored giving an answer twice, because he just rolls out these lines from central casting.

CORMANN: [Laughs]

EMERSON: In terms of the impact, in terms of the impact on coal mines: it is the emissions of gas, fugitive gases, and some coal mines do have those; others don't. On average, with a coking coal price of \$300 across coal mines, this would be an extra charge of \$1.90 per tonne out of \$300. And for thermal...

GILLON: Are you saying no mines are under threat?

EMERSON: ...and for thermal coal, it's \$120 per tonne. I need to be fair about that - less than \$2 per tonne.

Now, we are saying that for ... we are seeking to put in place incentives to reduce those gaseous emissions. If they reduce the gaseous emissions, then the mines continue pretty much as

they are. But it is designed to reduce the gaseous emissions. Big revelation: the whole purpose of putting a price on carbon is to reduce emissions of carbon dioxide into the atmosphere.

But in terms of the overall impact on the coal industry, the first decision commercially that was made after this was announced was a \$4.5 billion takeover bid by the world's biggest coal producer. We have an enormous pipeline of new coal mines getting ready to open up and 10s of billions of dollars of new investment on the drawing board.

So don't listen to the Coalition; listen to the market and watch what they're doing. And they are investing in coal in spades.

GILLON: We have plenty more to get through...

CORMANN: There is no doubt that the Australian...

GILLON: ...on the program this morning. Mathias Cormann...

EMERSON: Yes, Mathias.

GILLON: ... we are going to continue on with our discussion after the break about the Government's gambling reforms; also

the rumblings we've seen over the Labor leadership and the analysis from Newspoll today just showing how devastating an election would be for Labor if it was held today.

We'll be back after this quick break.

[Ad break]

GILLON:

Welcome back to the program. Mathias Cormann and Craig Emerson are my guests this morning. We do know that Labor MPs, especially in New South Wales and Queensland, are under a lot of pressure over the proposed gambling reforms that the Government has put forward. Today we've learnt that the Attorney-General Robert McClelland told his local newspaper in southern Sydney that his personal view is that clubs are justified to be seeking additional information; that the mandatory pre-commitment scheme will be affective. And he said: "I am seeking a longer transitional period."

This morning in a statement to *Sky News* the Attorney-General has confirmed that, yes, he does back these gambling reforms. He says he's a big supporter of the clubs, but he's also a big supporter of methods to try to tackle problem gambling.

Craig Emerson, these sorts of comments - and it's not the first time we've heard queries and concerns raised about the gambling reforms from Labor MPs - it doesn't help the Prime Minister's case, does it, when she's already facing such staunch opposition from the Coalition, from Clubs Australia, from the NRL - the list does go on.

EMERSON:

And not from the AFL, as it's been clarified. I'm not saying that no clubs in Victoria have concerns about this, but we do need to put in place reforms to deal with the problem of problem gambling. And that is ...

GILLON:

That's something everyone agrees with, but on the Attorney-General's comments...

EMERSON:

They do, they do. But then when we start putting up proposals people say 'well, we don't like that and it will be ineffective so don't do it'. And what we need to do is have a full productive engagement with the clubs. Robert and I and all other Members of Parliament, both sides of Parliament fully acknowledge the great role that clubs perform - our RSL clubs, our leagues clubs - in promoting junior sport and being part of the community. We recognise that. But we need also to recognise that on average problem

gamblers lose \$21,000 a year. That's a big hit on family budgets after tax.

GILLON: Would you like to see a trial of this reform, though, like the Attorney-General?

EMERSON: We're open to a trial. We're open to a trial, but it needs clubs and States to put their hands up.

GILLON: Do you think a trial will be likely?

EMERSON: Well let's have a productive engagement with clubs, with some of the State Governments. Some might be less happy to engage with the Federal Labor Government than others, but that's a matter for them. Let's have the debate, but let's not pretend. And I'm not saying that clubs are pretending that there's no issue of problem gambling here. It smashes families and we need to do something about it that is effective and that is beyond saying 'oh, yes, well we're concerned about problem gambling too'.

GILLON: What's your understanding of Andrew Wilkie's position when it comes to a trial? Is that something that you've - the Government's - discussed with Andrew Wilkie?

EMERSON: Well, I'm just saying that we're open to the idea of a trial. But that needs clubs and it needs States to put their hands up for it.

GILLON: What sort of trial period could work?

EMERSON: Well, I'm not going to start designing... it's a good question, but I'm not going to design a trial here on *Sky Agenda*, as important as the program is. But, yes, we want it to work. But we're not going to put our heads in the sand on what is a very big social problem.

GILLON: Is that welcome news to you, Mathias Cormann, that the Government is open and opening the door to have a trial in these gambling reforms. If the trial was implemented and it worked, could that then mean that the Coalition would support the move?

CORMANN: Well as a general point we support well-targeted effective initiatives to address problem gambling. We do not support mandatory pre-commitment. Our assessment is that it will be very expensive and that it won't work. It would certainly stop social gamblers in their tracks. It will have a significant impact on clubs, but it won't actually address problem gambling. And that is, of course, an assessment that many inside the Labor Party share with us.

And my view is I actually don't believe that Julia Gillard will ever deliver on her promise to Andrew Wilkie. She'll continue to string him along because that's what she needs to do in order to be able to hold on to power by keeping his support. But I don't think that Julia Gillard has got the political authority within her own Caucus to actually press ahead with this.

GILLON:

But Mathias Cormann, the Productivity Commission has acted on this saying that they think that these sorts of recommendations would work. There is a whole lot of research backing up the sorts of ideas put forward by Andrew Wilkie and the Senator Nick Xenophon. If there was a trial of the mandatory pre-commitment technology and it does prove to work, would the Coalition then throw your weight behind this?

CORMANN:

Well, I mean, that is very much hypothetical. What we've said is that we support effective well-targeted initiatives to address problem gambling. We don't think that mandatory pre-commitment is that. We think it's an expensive way of not addressing the problem. So we haven't ... I certainly haven't seen any research that mandatory pre-commitment is effective in addressing problem gambling. And so ... I mean

our position is there clear for you to see.

GILLON:

But surely, Mathias Cormann, if this is going to go ahead, you would prefer it goes ahead as a trial?

CORMANN:

Well we certainly don't think the Government should press ahead with mandatory pre-commitment, full stop, as Julia Gillard has promised to Andrew Wilkie. Our view is that we need to go for more targeted initiatives that actually focus on addressing problem gambling rather than just targeting social gamblers and hurting clubs across Australia in the process.

EMERSON:

You see this is this ridiculous statement again from the Coalition: that mandatory pre-commitment would stop social gambling in its tracks. Now how on earth would that happen: that you pre-commit to the amount of money that you're prepared to lose and that means that you wouldn't bet on the poker machines? I mean it's just such an absurd statement, because they just oppose absolutely everything...

GILLON:

Mathias Cormann, I'll let you respond to that quickly. I do want to move on.

EMERSON:

No, no, no, no and no.

GILLON: Mathias Cormann.

CORMANN: Sorry?

GILLON: What is the...

EMERSON: Concentrate Mathias!

CORMANN: Was he actually saying something? Was Craig Emerson actually saying something? I just heard him sort of spread some political rhetoric, but I didn't actually hear him say anything...

EMERSON: That's very sophisticated, Mathias.

GILLON: We are running out of time...

EMERSON: You covered yourself in glory there my friend.

GILLON: Let's move on. The Newspoll announced today: it isn't a new poll, but it is a quarterly analysis of the state of play. It shows that Labor would lose more than half its seats in New South Wales, including four Ministers. It shows an electoral wipe-out in Queensland, with Kevin Rudd the only person left standing. That means my guest Craig Emerson, who hails from Queensland, of course would be included in that if an election was held today.

It shows that now in all mainland states including - Victoria and South Australia, which stood pretty strong for Labor at the last election - well the primary vote is now below 30 in most of those states excluding Victoria. The state of play obviously very devastating for Labor at the moment.

As these poll numbers keep coming out we see more and more speculation about the Labor leadership. Yesterday on Sky News *PM Agenda* with David Speers, we were chatting with Bruce Hawker, the Labor strategist, and he said that there is a case for changing leaders. Have a listen.

BRUCE HAWKER:

You can make the case for a change in leadership, obviously. I mean changes in leadership happen quite regularly on both sides of politics these days. And if you are really trailing in the election, then that's a big plus.

GILLON:

Craig Emerson, this is a man who's worked on more elections, state and federal, than most on your side of politics. For someone like that to waiver off the script and say that 'yes, there could be a case for leadership', what does that signal to you?

EMERSON:

Well I think there's a model that we should not replicate: and that's the New

South Wales merry-go-round model.
We have a perfectly...

GILLON: So Bruce Hawker's wrong: there's no case for leadership change?

EMERSON: There is no case. No case, no case whatsoever. We have a very strong and determined leader who is determined to govern in the national interest. And, yes, that does mean that from time to time you'll take a hit in the polls. That does mean that. It has always meant that. And if you go through the last 25 years of Hawke, Keating and Howard, you will find periods where they've been well behind in the polls. And on no occasion - and I'll mention Howard favourably here - did he then say 'that's it; let's give up; we're not going to do any more hard economic decision-making. We'll just roll out of bed, check the polls and see what the people want and give it to them'.

GILLON: Well, a former Labor leader, Mark Latham, had some thoughts on this on *Paul Murray Live* last night. Have a listen.

MARK LATHAM: Maybe, it is at the point where your Shortens and your Hawkers and others are acknowledging 'well, yes, we have got to the point where she's got no return game. She's not going to

survive'. The next step is to work out, well, who takes over. And it's probably coming a bit too early for our mate Kevin, in that he is suited to a late-switch scenario closer to the next election. If there is a first move for a Stephen Smith, maybe that's who they galvanise their support around.

GILLON:

Senator, of course we've heard Labor blaming the Coalition for stirring up this leadership chatter. But when it came down to it, do you think that your job to win the next election would be made a whole lot harder if Kevin Rudd was returned as Labor's leader?

CORMANN:

Look, wherever I go around Australia people are concerned about the direction that this bad government in Canberra is taking the country into. I mean, this is a bad and incompetent government which is led by a bad prime minister who, quite frankly, lacks judgement, lacks political authority and is out of her depth and...

GILLON:

Yes. Back to my question: do you think that Kevin Rudd would be a stronger match for Tony Abbott?

CORMANN:

I was very interested to hear Craig Emerson's comments about Julia Gillard, because these are exactly the

things that he was saying about Kevin Rudd in June last year, of course.

Look, at the end of the day our job is to hold this Government to account. Our job is to offer a better alternative. Who is the leader of the Labor Party is a matter for the Labor Party.

But to make just this final point: Labor's fundamental problem is not its leadership. Its fundamental problem is that they're pursuing bad policies which people across Australia just don't want, and which people across Australia were promised they wouldn't get - like the carbon tax - and which people across Australia understand it won't do anything. For example, the carbon tax won't do anything for the environment, but will be a significant hit on cost of living, pressures and on jobs.

EMERSON:

I think we've heard all that before, Mathias.

GILLON:

All right. Well, some free advice for you there, Craig Emerson, from Mathias Cormann this morning.

EMERSON:

Well it's the same stuff. He just says the same stuff over and over and over again.

GILLON:

I think both sides of politics can be accused of sticking to the script on a number of these issues. We are out of time. Craig Emerson, Mathias Cormann, appreciate your thoughts this morning. Thank you for your company. And thank you to our viewers as well for your company - we do appreciate it - this morning. And we'll bring you up to date on any of these stories as they develop throughout the morning.