



**HON CRAIG EMERSON MP**

MINISTER FOR SMALL BUSINESS, INDEPENDENT CONTRACTORS AND  
THE SERVICE ECONOMY  
MINISTER ASSISTING THE MINISTER FOR FINANCE ON  
DEREGULATION

**INSIDE CANBERRA**

Terri Begley and Senator George Brandis

WEDNESDAY, 22 OCTOBER 2008

E & OE

---

**SUBJECTS:** Bank deposit guarantee, millionaires' tax, alcohol advertising.

---

BEGLEY: We tried about five minutes ago, we'll see if we've got some better luck now in crossing live to Canberra to have a chat with a couple of people who are politicians who have some opinions on some of the top stories that have been breaking, particularly in relation to the global credit crunch. I'll cross my fingers and toes this time around and say, good morning to Shadow Attorney General George Brandis. Hello George.

BRANDIS: Good morning Terri.

BEGLEY: He's there. It's a busy day there in Parliament, so we can't really blame Craig Emerson for not being there. I believe he's in the Chamber at the moment.

BRANDIS: Well I think he's just walking through the door Terri.

BEGLEY: Just walking through the door. Okay. Well we'll let him get settled. As mentioned, the approval ratings for the Prime Minister and the Opposition Leader are up 10 per cent according to the latest poll but Malcolm Turnbull says Kevin Rudd shouldn't get your support because he hasn't been levelling about the bank deposit guarantee which the Government now appears to have backed down on. Some thoughts on this issue from George Brandis and Craig Emerson, the Small Business Minister who's just getting himself settled in there.

This backflip on the unlimited guarantee on bank deposits. The Government now considering a fee for guaranteeing sums over \$1 million to stop big investors pulling their money out of funds that aren't covered by this deposit guarantee. We'll start with you George Brandis. Has the Government bungled this deposit guarantee scheme?

BRANDIS: Well look, Terri, I'm bound to say and, you know, I say this with some reluctance because the Opposition did offer bipartisan support to the Government and by and large that is still the case because this is a grave situation and I think the public expects politicians on both sides of the aisle to work cooperatively together. So let me just say that by way of preface but, nevertheless, I'm bound to say that there has been a terrible policy mistake made the Government which the Government now plainly acknowledges and is retreating from at a million miles an hour. You see what the Government did is initially it announced a bank deposit guarantees scheme with a cap, a very low cap. It reviewed that decision and decided to go the other way and to have an unlimited guarantee on deposits but the problem with that measure was that it didn't cover all institutions. So what we've seen in Australia in the last several days is very significant and dangerous capital shifts away from institutions which are not covered by the unlimited guarantee to institutions which are, and that has obvious potentially dangerous consequences for the system. Now the Government, on the advice obviously of Treasury and the regulators, have realised what a serious mistake they've made and now what Mr Swan has indicated, and this leads the news this morning, is that there will be a de facto cap on the limit of the guarantee by the imposition of a fee. As far as I'm aware the amount of the fee hasn't yet been specified but presumably it will be a commercial fee on the guarantee of deposits over \$1 million so that what you will have is a de facto cap on the guarantee at \$1 million. Now, as I say, this was undeniably, now let's not play politics with this, this was undeniably a policy mistake. Thank goodness the Government has appreciated the gravity of the policy mistake it's made and has moved relatively swiftly to correct it, but frankly it's a mistake that shouldn't have been made in the first place.

BEGLEY: Craig Emerson, you're settled in there now?

EMERSON: Yes I am.

BELGEY: Good morning, thanks for joining us. So we're just talking about how the Government is now moving to put a cap on the deposit guarantee. We have seen a lot of money being moved out of institutions that haven't been covered by this guarantee deposit in the last week. Now that there's going to be a fee for the institutions that put a large amount of money into the banks, it's taken about 10 days for the Government to come back and change its mind on this. Has the Government made a mistake?

EMERSON: We have, in fact, talked about putting an insurance premium. That's your words and George's, that this constitutes a cap. The development of this was as follows. The Coalition actually argued for a cap of \$100,000. That is deposits of less than \$100,000 would be guaranteed. That was their position. The Government moved to guarantee all deposits in banks and I can't see why the Coalition would be upset about the Government guaranteeing all bank deposits. I suppose I know because they think it should only be on deposits to \$100,000. We did not accept the position of the Coalition. We made it for all deposits and that has helped secure the flow of credit, the flow of finance to businesses and to mortgage holders which is the

whole purpose of it. And I would think that your listeners would be pretty pleased with that, especially as the head of the National Australia Bank said over the weekend in announcing an interest rate reduction, that these very measures allowed them to reduce interest rates and they are optimistic about further reductions based on these measures working.

BRANDIS: Yes, but Craig the problem is you'd expect institutions, which are beneficiaries of unlimited taxpayer guarantee, to be pleased about it but that's not the point. The point is that there are...

EMERSON: Well that is the point George because the borrowers are happy.

BRANDIS: May I finish please? May I finish please? The point is that not all institutions are covered by the guarantee and people who have their funds in institutions which are not covered by the guarantee at all are rightly concerned. So what you have, by giving an unlimited guarantee to some institutions, and no guarantee to others, what you've done is distorted the market and you can engage in all the rhetoric you like, Craig, but the fact is that the Government has now seen this. And I've just been listening to Dr Henry, the Secretary of the Treasury, giving evidence as we speak to the Senate Economics Committee about this, and what is as plain as day is the Government has seen that it has made a great mistake by playing favourites with some institutions while leaving others out in the cold and therefore looking after some depositors but not looking after other depositors and it has now moved to correct it's mistake.

EMERSON: And I reckon that the depositors in the banks would be very happy with what we've done and would be unhappy with the Coalition's proposal which was to limit the guarantee to deposits of less than \$100,000. We went further and now we're being criticised for going further. That's the truth of it and George said 'oh, a few favoured institutions benefit from this'. The people who benefit are all those depositors who put money in banks and that is a very, very large number of people. The people that benefit are the people who now are getting credit and are getting home loans. That's the whole purpose of it.

BRANDIS: Craig, Craig, it is a large number of people. It is the largest sector of the market but the fact is you've left the other sectors of the market out in the cold and that was a grave policy blunder.

BEGLEY: Well the point is that it has been changed now with the Government signalling that a cap's going to be put in on this so I think we'll move on to something else.

EMERSON: Well could I just ask quickly George? Is it your policy, as a Coalition, still, now that you're criticising the Government's policy on this, to have a cap limited to \$100,000, which was Coalition policy up until about three weeks ago?

BRANDIS: That was the policy announced by Mr Turnbull.

EMERSON: And that is it? So the cap of \$100,000 is Federal Coalition policy?

BRANDIS: We do not believe, we do not believe that there ought to be an unlimited exposure by the taxpayer and now neither does the Government.

EMERSON: \$100,000?

BEGLEY: Yes there has been a change of viewpoint on that in the last 24 hours. There has been a lot of pressure on the Government, as we all know, to change its viewpoint. We're going to come back to you shortly, we just need to take some news headlines with Kieran Binney and then we'll discuss some more topics regarding politics in the last week. Good morning Kieran.

News break.

BEGLEY: Thanks Kieran, back to *Inside Canberra* this morning. We're speaking with Senator George Brandis, the Shadow Attorney-General, and Dr Craig Emerson, who is the Small Business Minister. Gentlemen this week the Government ruled out a tax hike for millionaires, the idea put up by the Australia Institute. It had the backing of the unions, the Greens and the Independent Senator, Nick Xenophon. It would be a populist policy, but would it actually generate much revenue? George Brandis.

BRANDIS: Well the costings that I saw and I don't vouch for them, but the costings I saw suggested that it wouldn't, in the scheme of things, generate a whole lot more revenue. Something like \$435 million, I think, was the figure I saw but that's in the context of a Budget of about \$300 billion. So, no it wouldn't and, may I say, that from a philosophical point of view the Liberal Party is opposed to tax increases. We, during the period of Peter Costello's stewardship of the Treasury for 12 years, we cut taxes in practically every Budget and as a result, people had more money in their pockets and those years I think people increasingly look on fondly as an age of prosperity. Now one of the reasons for that was because we were quite determined that after the ordinary services of government had been met and after the debt we inherited from the previous Labor Government had been paid off, it was the people's money and they were entitled to have it in their own pockets.

BEGLEY: But back to this. There has been some cynics amongst our callers here to 612 ABC Brisbane saying the so-called fat cat tax isn't being supported because it would apply to the Prime Minister and the Opposition Leader. Would you, Craig Emerson, like to comment on that?

EMERSON: \$1 million?

BEGLEY: Well this is what some of our listeners believe?

BRANDIS: Well, I don't think that's fair to either the Prime Minister or the Opposition Leader. I mean the reason the Liberal Party, and I understand the

Labor Party supports our position on this, the reason the Liberal Party doesn't believe in this measure is because we don't believe in increasing personal income taxes and we have a very proud track record of cutting and cutting again personal income taxes.

EMERSON: I might just jump in here at some point.

BEGLEY: Yeah, go Craig.

EMERSON: Now my understanding is this proposal relates to income of more than \$1 million. Well, I can you that the Prime Minister's salary and the Opposition Leader's salary are both well under \$1 million. So those callers are not right in saying this is the reason for not supporting it. The truth about this proposal is this, that the current tax rate for millionaires is 46.5 cents in the dollar. The proposal is to increase it, that's the marginal tax rate, the proposal to increase it is a proposal to increase it from 46.5 cents to 50 cents. Now, you know...

BRANDIS: And this includes the Medicare Levy.

EMERSON: That's right. So let's understand what the actual proposal is. Now, the source of the global financial source is not Australia. It is not Australian business people. It is not Australian bankers. It was irresponsible lending practices and poor regulations emanating out of the United States. Now we can argue till the cows come home about the correct tax rate for millionaires but it is not, it should not be seen, as well we should punish or somehow belt our business people because of the global financial system.

BRANDIS: Can I, in the spirit of furious agreement, endorse what Craig has said and can I make a broader point? I really think that in Australia we've got to get over this attitude that I think some people still have, but mercifully I think it's shared by fewer and fewer people, that because somebody's got a lot of money we ought to belt them and we ought to try and take it away from them.

BEGLEY: I think the connection is made when the people who are in positions in companies and they make a lot of money, but that company underperforms and yet they still get their bonuses. This is where people on the street...

EMERSON: That's a different proposition.

BRANDIS: That's a very different question.

BEGLEY: Well this is where people get angry about it.

EMERSON: And so do we.

BRANDIS: Absolutely, and they're entitled to get angry. I mean what really infuriates people and I remember when he was Treasurer, Peter Costello said quite a lot about this, was the idea of executives of companies which have

performed badly, whose profit performance has fallen or have fallen into a loss, nevertheless getting generous performance bonuses. It was ridiculous.

EMERSON: And if they perform really badly, they get terminated and get a huge bonus so the worse you perform, in some cases, the bigger the bonus. But if I could make this other point and I know that these are popular sorts of ideas: imagine an Australian scientist, a scientist who has, you know, done a marvellous job in a medical breakthrough and that scientist, as a result of that, earns in a particular year, maybe the result of maybe a lifetime's work, more than \$1 million. Are we going to say, well hold on, that's too much and you're really part of, you know, corporate greed and we don't want you to succeed.

BEGLEY: Yeah, it's got to be applied right across the board.

EMERSON: It does have...exactly. I mean you can't say, oh well corporate income, this could be corporate income. The scientist might be the head of a company, but for God's sake do we want those scientists to go overseas and take their knowledge and their inventions and their creativity overseas?

BEGLEY: Have we still got you there gentlemen? No we seem to have lost our link there to Canberra. Craig Emerson just making a point on whether, if the tax rate for people who earn over \$1 million is increased and whether the people who earn over \$1 million should be punished, including those who are scientists who make important breakthroughs. Whether they are worthy of that or not. I do apologise there, we are having some technical difficulties this morning. They always say play a song when everything goes pear shaped, but I have tried to plug along so I do apologise to you for that. We are keeping our eye on the local market. It did open down this morning, it has improved slightly, but the all ordinaries index is still down, it's off 1.3 per cent or 55 points to be at 4,199 and we will be keeping tabs on the market right throughout the next half hour or so to see where it's headed.

We can't seem to find our politicians again out of Canberra. We will try to get that line back up for you. We seem to have them back now. Gentlemen, sorry about that.

BRANDIS: Hello.

EMERSON: We're back?

BEGLEY: That will teach you won't you, to stop talking at each other. I just turned you off.

BRANDIS: I think you interrupted...

EMERSON: Oh, we were furiously agreeing.

BEGLEY: I know.

BRANDIS: I think the line dropped out in the middle of one of Craig's flights of eloquence.

EMERSON: That's right.

BEGLEY: Well let's move on. We've talked about tax. We've talked about the Government changing its mind on putting a cap on this deposit guarantee scheme. Let's go back to the world economic crisis as we sit it. The Prime Minister, it seems likely he'll get an invite to this World Leaders' Summit that George W Bush is looking at convening. Craig Emerson, what practical difference will that make to the situation Australia is in, if Kevin Rudd goes to the Leader's Summit?

EMERSON: The key word in the resolution of the global financial crisis is coordination. You can achieve good things and in the last couple of weeks some good things have been achieved through coordinated action by all of the relevant countries. In Australia's case, it's been objectively tested too, that we have the best and most efficient regulatory system of just about any country in the world. So though we are not a, you know, huge economy of the size of the United States or the European Union, our ideas are good, our ideas are big and even the United States and Europe have said Australia's got a top class regulatory regime. I will say again, as I've said before, that is a tribute not only to the work of the Hawke and Keating Governments, but also to the Howard Government and now to the Rudd Government. This good, efficient regulatory regime has been put in place and it can be a model for the world.

BEGLEY: Another quick issue I'd like you to both quickly comment on. This week the Salvation Army issued a report suggesting some of the social problems linked to alcohol consumption could be cut by reducing alcohol advertising. The Salvation Army says it's worked for tobacco. Should bans be considered for alcohol products? Craig Emerson.

EMERSON: Look, my instinct in all of this, it's not a direct answer to the question, but my instinct is not to go around banning things. I admit, freely, a prejudice against tobacco smoking because one cigarette can do you damage and probably will. In relation to alcohol, I don't think it's the case that one drink does you damage. It's a vexed issue. I'm personally happy for the debate to continue but I can't say on your program: great idea, let's ban alcohol advertising.

BEGLEY: Well the Family First Senator, Steve Fielding, says he wants alcohol restricted after 9pm. Would you consider that?

EMERSON: The advertising or the consumption of it? Well the Senate would go mad...

BEGLEY: The advertising I should say.

EMERSON: ...the Senate would stop functioning!

BEGLEY: Alcohol ads, he wants them off the TV until after nine o'clock at night.

EMERSON: Oh, until after 9pm.

BEGLEY: Yes.

EMERSON: Look, I can't articulate an official Government policy on this because there isn't a statement from the Government on it. So I think it comes down to our personal views.

BRANDIS: Well I don't favour restrictions on alcohol advertising beyond the restrictions that are already in place under the Advertising Standards. I am philosophically very, I have strong misgivings about any form of prohibition of the advertising of something which is able freely to be sold, although I acknowledge that tobacco is a special case because it is, as Craig has pointed out, an intrinsically harmful substance. But, you know, I think the key with alcohol is education and that education isn't just in the school but also, of course, in the home.

BEGLEY: Neither supporting wholeheartedly the Salvation Army's push on that one. Gentlemen, I'm sorry about the technical problems there. We got there in the end. Thank you both for your time.

EMERSON: We did. Pleasure, thanks a lot Terri.

BRANDIS: Thank you Terri.

ENDS