



**THE HON DR CRAIG EMERSON MP**  
MINISTER FOR TRADE

Transcript  
Sky News AM Agenda with Kieran Gilbert

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E&OE

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**KIERAN GILBERT:** Joining me on the program from the Sky News Centre, we have the Trade Minister Craig Emerson; and from Brisbane, the Deputy Opposition Leader in the Senate, Senator George Brandis. Gentlemen, good morning.

**CRAIG EMERSON:** Hey Kieran.

**GEORGE BRANDIS:** Good morning Kieran.

**GILBERT:** Craig Emerson, first to you. The OECD overnight warns of serious downside risks in the eurozone; risk of a devastating outcome there; a risk of a deep recession. It's important that the Treasury not go too far with the cuts today, isn't it?

**EMERSON:** Well, obviously we're determined to get the balance right here. The same OECD report projected for Australian in the next calendar year 4 per cent GDP growth. But you're right: it also said that there are substantial downside risks. We don't control what's going on in Europe; we certainly are in the right place at the right time,

Kieran, in the Asian region in the Asian Century - not by accident but as a result of good forethought and good planning. And we're seeking to cement that in place through the Prime Minister's Asian Century White Paper. Nevertheless, there are transmission mechanisms potentially that could affect Australia. And that's why we don't want to take a meat axe to the Budget, but at the same time return the Budget to surplus.

GILBERT:

Minister, that 4 per cent growth figure looks good compared to the rest of the OECD - no doubt about it. But it was dependent, wasn't it, on - it was a big "if" - if Europe muddles through this crisis. At the moment that, as I say, looks like a very big "if" indeed.

EMERSON:

Well, it's a fair observation that you're making. And Europe is taking its course, a course that we don't control. So the best thing for the Australian Government to do is to deal with those matters that we can control, and that means pruning spending in the face of these revenue write-downs. And the whole purpose of bringing the Budget back to surplus, Kieran, is to make room for \$430 billion of investment in the pipeline - that is an investment boom in our country - and at the same time, therefore, to give the Reserve Bank at least the capacity to lower interest rates further. They're independent decisions made by an independent organisation. But if we make room, then that increases the capacity of the Reserve Bank to follow up on the earlier rate reduction earlier this month. We've now got a cash rate of 4.5 per cent, compared with 6.75 per cent when this Government took office in 2007.

GILBERT:

Despite all the criticisms of the Government, Senator Brandis, this OECD report ahead of the mid-year budget update shows 4 per cent growth - the strongest performing economy in

the OECD. So, as I say, despite the criticisms this remains one of the strongest economies in the world.

BRANDIS:

Well, it does. And there's a reason for that: and that is because when this Government came to office four years ago it inherited the most favourable set of economic figures of any country in the OECD. We had no public debt; in fact we had \$70 billion of sovereign wealth that had been set aside. That was the legacy that the Howard and Costello Government left the Rudd-Gillard Government. Now, that has been squandered. So, although the level of debt that the Australian economy has to bear is nowhere near as great as the level of debt the European economies have, the fact is we've gone from a position of no public debt to a position in which we now have greater peacetime public debt than at any time in our history. And that's because the Government was so profligate. I listened carefully, Kieran, to what Craig had to say. And it's all very well to be wise after the event, but in the early years of the Rudd-Gillard Government, when the Government was spending money like drunken sailors, the Opposition said 'no, you shouldn't be wasting this much money' - 10s of billions of dollars of wasteful spending - 'because you never know what's going to be around the corner in a time of global economic uncertainty'. Well, lo and behold, here we are. Europe is in a very dangerous position - most of the forecasts that I have read are, frankly, pessimistic. And I'm sure that the people within the Government who have to put these figures together are now deeply regretting the fact that 10s of billions of dollars was wasted in better times rather than set aside for the bad times.

GILBERT:

So what is the Coalition's view today, then, Senator Brandis? Because there does seem to be some mixed messages. I'll go back to Craig

Emerson, because I think he wants to respond to a few of the points you made there.

EMERSON: You're right about that.

GILBERT: I want to ask Senator Brandis about some of the comments that are being made. Tony Abbott says this is a government that's always blaming someone else; that he says it's not Europe's fault - Wayne Swan has a problem. The Shadow Treasurer Joe Hockey said the Government has to properly reflect the deteriorating economic situation in Europe in the upcoming Budget numbers. Who is right: the Leader or the Shadow Treasurer?

BRANDIS: Well I don't, with respect Keiran, understand how you can get an inconsistency out of that. They're both addressing different aspects of the same problem. And they're essentially saying what I have just said: that the Budget of course has to reflect the international economic circumstances which affect every country in the OECD. But what Mr Abbott has said is that the decisions that put Australia in a less favourable position than it should have been in are the decisions for which this Government has to take responsibility. Because I said a moment ago, in the early years when things were not so bad on the international stage, they wasted 10s and 10s of billions of dollars with a poorly-targeted stimulus package, with wasteful spending programs like pink batts, school halls, cash for clunkers and the list goes on.

GILBERT: Okay, so Craig Emerson I'll let you respond to that. I also want to ask, if I can as a lead, how much of this - and also thanks for your restraint IN not interjecting there because it is hard to control our discussions ...

EMERSON: George is very hard to control.

GILBERT: ... from afar. If we can maintain that *modus operandi* that would be great.

EMERSON: Sure.

GILBERT: But I do want to ask you, Craig: you know the suggestions that this is largely a political goal; it's much more a political goal to return to surplus, which we're expecting the Treasurer to reiterate today that trajectory. It's much more political than it is an economic goal. What do you say to that? Of course, you can respond to Senator Brandis as well.

EMERSON: Sure. I'm an economist. It's sound economics. There are two basic instruments of macroeconomic policy: fiscal policy and monetary policy. If we can create space through fiscal policy by returning the Budget to surplus, that allows more latitude in monetary policy. The Reserve Bank cash rate of four and a half per cent, compared with 6.75 per cent that we inherited, and the last interest rate movement down, I think has quite substantially boosted consumer confidence, Kieran. I've seen forecasts of retail sales for the Christmas period that seem to be a bit more buoyant than they were before that interest rate reduction. So, it's had quite a positive psychological effect.

And if we were able to create room to manoeuvre for the Reserve Bank to further reduce interest rates, that's good for consumers; it's good for home borrowers; and it's also good for small businesses. But I did want to respond to George saying that Labor spent too much money in the better times, such as 2008. Well, in 2008 there was a global recession, George. You just airbrushed a global recession out of the history pages. And the fact is that by the timely fiscal stimulus that this Government implemented, we avoided recession in this country. I think that's a tick. We've created, with

the business community and hardworking Australians, three-quarters of a million jobs. We've got an underlying inflation rate at 2.2 per cent - I think that's the lowest level since that measure has been compiled. So, on all of the basic indicators of the health of the Australian economy we're going very strongly. And net debt will peak at 7.2 per cent, which is less than one-tenth of that of the major advanced countries of the world.

GILBERT: Senator Brandis, you'll I want to respond to that. What I want to ask you as well is that the Government has said from the outset that when it was putting in that stimulus that they would be returning to surplus as soon as possible. And we're expecting that to be reaffirmed today. So, it's not like they've spent without saying or charting a course back to the black, is it?

BRANDIS: Well we all know how reliable Labor Party promises are, Kieran, so let's just wait and see what in fact happens. Can I just respond to some of Craig's remarks? It always entertains ... I find this very entertaining, to hear ...

EMERSON: Thank you, George.

BRANDIS: ... Labor Party politicians saying how it's important to be fiscally responsible. It's a bit like Satan denouncing sin. This is a government that within less than four years took us from the best position Australia's ever been in, with no public debt, to the worst public debt we've ever had in peacetime. There's a reason why we came out of the Global Financial Crisis with no recession: and that is because we went into the Global Financial Crisis with no debt. And this Government, seizing an opportunity - never letting a good crisis go to waste - wasted 10s of billions of dollars that it needn't have spent. And I'm sure Senator Wong and Mr Swan privately wish they still had it now, because the Budget is

getting into very bad shape - not nearly as bad as the European economies. Because we went into this particular period of our economic history in such a strong position, the legacy that this Government inherited and has squandered.

GILBERT: All right. We're not going to resolve those differences of opinion. My apologies, Craig.

EMERSON: That's all right.

GILBERT: We're going to take a break. We've got a few more issues to get to. Stay with us on AM Agenda.

[ADVERTISEMENT BREAK]

GILBERT: This is AM Agenda - thanks for being with us this morning. More now on the Murray-Darling Basin draft plan and the reaction to it. We're going to cross live to Griffith. David Lipson our political reporter is standing by. David, Griffith one of the many towns up and down the Murray-Darling with so much at stake and obviously many concerned in that town this morning.

DAVID LIPSON: Concerns and a deal of anger as well, Kieran. This is the very town where just over 12 months ago the irrigators burnt the draft guide to the Murray-Darling Basin plan. The sentiments haven't changed so much, even though the water savings that have been recommended in the most recent update - the one released yesterday - are significantly less than they were 12 months ago. Still, this town of Griffith, the 16,000 people within it, are fearful of what will be to come - because, of course, water and the water allocations are the lifeblood of the town. And even though the irrigators aren't going to be forced to sell their allocations, they know that they have to get to a certain level of water cuts, and that is going to have quite a profound impact on this town. To tell us more about that,

Paul Pierotti from the Griffith Business Chamber joins me now. Paul, you say that the impact of the water buybacks are already having a big affect on the town?

PAUL PIEROTTI: Absolutely. We were promised with this plan that there would be balance, especially since the guide was so widely rejected by all. And that means balance to communities; it means balance to the environment. But unfortunately even though there has been a cut in the overall take on the SCL within this plan, in our area there seems not to be any reduction. So, that impact to our community is going to be profound. And the impact is already profound: the Government has been in the implementation phase for over 12 months, with accelerated non-strategic buyback, which has had a savage impact to the confidence in the community.

LIPSON: What's that done? What exactly has that done to the community?

PIEROTTI: Look, there's businesses that have gone to the wall, all over the place. Housing has basically stopped. House prices have decreased by at least 20 per cent. Commercial properties are down radically; there's a building that's down here further which is a multi-storey building which has apartments and shops underneath and recently, unfortunately, the bank has taken that off the owner and he's lost about \$3.2 million. There's a block around the corner where there was going to be a major motel: that deal fell over now, and that block was sold by the banks and was worth \$1.7 million for the block. It got sold for \$630,000. There's stories like that all over the town. And the businesses have been struggling for an extended period. And I don't know how long we can hold on, to be honest.

LIPSON: So it's not just the irrigators that are hit by this?

PIEROTTI:

Absolutely not. In fact, irrigators are willing sellers of water, so they actually are compensated. Unfortunately, that doesn't compensate their neighbours when the Swiss cheese effect affects them. And it doesn't compensate their industries when they find it difficult to supply their export markets, and also to get consistency and volume. But it really especially doesn't compensate the people in the town -businesspeople and also the wage-earners in the town - that have had their house values drift. There's an economy that's in an extremely recessed state. I'm extremely surprised that this plan ... it's the socio-economics that were promised in the plan looked like a Year 10 economics project, really. There's no detail; there's no facts. They really haven't drilled down to the actual impact. The impacts are now, so it's blatantly obvious. It's not like we need another billion dollars wasted on another study. If anyone wants to find out, I can easily take them on a tour and show them people's houses and people's livelihoods that have gone down the gurgler, basically because of the Government threatening to kill our economy.

LIPSON:

Paul Pierotti from the Griffith Business Chamber, also a local retailer. You can see that the sentiments and concern here is still very deep. And that is expected to be very apparent today when we see a community forum which is going to be held at 11'o clock. Also, a press conference which we'll take you to live at 10'o clock here with some of the key stakeholders in town. Keiran?

GILBERT:

David Lipson, thanks a lot for that. With me again, the Trade Minister Craig Emerson and the Deputy Opposition Leader Senator Brandis. Craig Emerson, you heard the criticisms there from the Chamber of Commerce representative: those sentiments do seem to be unanimous, I

have to say, across the board; that there's just not a lot of detail in this Murray-Darling report.

EMERSON:

I think the reality is, and most Australians would accept this, that if we do nothing, which would be the easy way out, then it's not as if the Murray-Darling system would be healthy, or that somehow it will fix itself. It won't. And when people legitimately talk about their anxiety, about job losses, in a do-nothing business-as-usual case, there will be job losses, because the health of the system has been deteriorating for a long time. We happen, at the moment Kieran, to be in a period of pretty good rainfall. But everyone remembers the drought that lasted 10 years, arguably 30 years. There'll be more droughts, and that is more environmental degradation, including in the quality of the water that is taken for irrigation purposes. So, we have a generational responsibility here, and we will need to discharge that responsibility rather than just duck for cover.

GILBERT:

Senator Brandis, what do you make of this debate over the last day or so? And what about suggestions the Coalition is sending mixed messages: one message to those upstream, and another to those in South Australia and Adelaide?

BRANDIS:

Well, that's certainly not right. Let me make two points Kieran. First, I myself haven't read the document that was released yesterday, but I heard conversations this morning that Senator Simon Birmingham, the Coalition spokesperson on this issue, who has read the document. The point he makes is this: that in fact there is less clarity and less certainty in this document than in the document that was released last year in relation to water allocations - both the allocations ...how much water is going to be acquired from irrigators and how much water is going to be allocated to environmental assets.

So, it's an extraordinary situation you have when, after this extremely long and expensive process, the Government has produced a new iteration of its plan which gives less certainty and guidance to people whose livelihoods are at stake than was the position a year ago.

But, secondly, let me just make this point: I think anyone who was watching your program would have heard the tone of really acute concern in the voice of Mr Pierotti, the local Griffith Chamber of Commerce spokesman. And I'm sure one of the reasons for the concern that he and the members of all the irrigation towns on the Murray-Darling have is a sense that this Government just doesn't really understand their needs. This is a government which seems to treat these people whose livelihoods are at stake as if they were part of some social experiment being run by a government, most of whose ministers come from the inner city and is dictated to by The Greens, who are the lethal enemy of these irrigators.

GILBERT: The Greens have been critical, though, of this report, Senator Brandis. They're saying they'd like a lot more environmental [inaudible]

BRANDIS: I noticed that The Greens have been critical. The reason they have been critical: they say it doesn't go far enough, because if the Greens had their way there wouldn't be irrigation farming in Australia. And these ... the livelihoods of these people ... hundreds of thousands of people who either directly or indirectly depend for their livelihoods and their families' livelihoods upon irrigation farming along the Murray-Darling Basin, would be thrown to the winds.

GILBERT: Okay. Craig Emerson. Let's get Craig Emerson's view on that. I do want you to respond to those suggestions that the Government hasn't been

sensitive enough to the concerns of those whose livelihoods depend on the Basin.

EMERSON: Well, of course we're sensitive to those concerns. We want an environmentally and economically sustainable Murray-Darling Basin. But you've just heard a senior Coalition figure readying for opposing what the Government is doing here - not one word of support ; just a complete diatribe of opposition. So get ready for this: a Coalition-Green alliance voting down what we are seeking to do in respect of the Murray-Darling Basin. Why would that surprise us? Who is the spokesperson for the Coalition: Senator Joyce or Senator Birmingham? Now, Senator Joyce says stop the buybacks. They're voluntary buybacks. When in government, the previous Coalition Government bought not one drop of water. These are voluntary buybacks - they're saying "stop that", and they are readying to oppose it in unison with the Greens, just as they have done on water protection legislation. They'll have their different reasons, but it always ends up in the same spot: and that is "no, no, no, no and no".

GILBERT: All right, gentlemen.

BRANDIS: We will always say no to bad policy, Craig.

EMERSON: You certainly will. You will always say no to everything this Government does.

BRANDIS: We will always say no to bad policy.

GILBERT: I've got to go. And you've got to go. And thank you for your company on *AM Agenda*.

EMERSON: Righto, thanks.

