



HON CRAIG EMERSON MP

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

Transcript
ABC 612 BRISBANE
Inside Canberra with
Madonna King

E&OE

Subject: Federal Budget, Matthew Johns.

KING: Now, of course, the big parties are going to agree on very little, aren't they? That's the nature of politics. But after digesting all the small print how do you really fare?

Let's go inside Canberra with Small Business Minister, Dr Craig Emerson.

Good morning, Dr Emerson.

EMERSON: Hello, Madonna.

KING: And Opposition spokesman on Attorney-General's matters, Senator George Brandis.

Senator, good morning.

BRANDIS: Morning, Madonna. Morning Craig.

EMERSON: How are you George?

KING: Probably frostier than normal this morning and I'm not talking about the Canberra weather. Are you two getting on down here?

EMERSON: It's cool down here, yeah. We're sort of pretty much shoulder to shoulder. I won't put my arms around George in the studio.

KING: Alright, we'll see if that's still the case in about 15 minutes' time. Let's go first to this, several people calling in saying, where do we borrow this money from, the majority of our money - what country, what institutional investor, how does this work? Craig Emerson?

EMERSON: The Treasury issues bonds and they are basically an offer to - for people to provide cash in exchange for which they will get a moderate interest rate. That is, it's a safe investment. It's really good for those people who don't want to go into the risky end of investing.

So people who participate in that might be local mums and dads, they could be superannuation funds, they could be other financial institutions. It's just people who decide, yes, this is an attractive proposition for me - often used, Madonna, in a portfolio of instruments.

KING: So the Government - and that's where the Government is getting these billions of dollars from?

EMERSON: Yes. It issues these bonds and then those people who are interested in it take them up.

KING: And from what country? It's not all domestic borrowing, is it?

EMERSON: No. It's a bond tender if you like, and people from other countries can take them up as well if they want. But it's not for - we don't go around selecting and saying, this is for people from a particular part of Europe or the United States. It's whoever wants to have these bonds in, usually, a portfolio as I say. They might have other riskier investments such as shares and so on and it's quite common that people will put into that mix government bonds, whether they're from the United States or Australia. So it's a pretty common sort of procedure.

KING: Tom from Barambah just called to say what's the interest rate we're paying on this borrowed money?

EMERSON: Well, it is an interest rate that is determined at the time. It is a low interest rate because the risk associated with Commonwealth bonds is very low.

So it's really for those people who say, I'd like to have essentially a guaranteed return with - that is, with very low risk.

If you're going to have low risk you will get low returns but it's a good mix in the cocktail of financing for people who, as I say, like a portfolio which has got some high risk and some low risk in it.

KING: Alright. Dr Craig Emerson there. Senator George Brandis also with us this morning as we go inside Canberra.

Senator Brandis, out of 10, how would you mark this budget?

BRANDIS: Well, I'd give it a fail. Certainly I would give it well below five out of 10 because, you know, as Joe Hockey said in your program a few minutes ago, this is the first budget in Australian history when the budget result, the

budget bottom line, was so appalling that the Treasurer was embarrassed even to mention it in his budget speech.

And then when asked by journalists afterwards to name what the Budget deficit was he referred them to the Treasury officials. This is a shocking budget.

I know that occasionally even Craig and I in this program are guilty of the occasional - a bit of political hyperbole but it is...

EMERSON: [inaudible]

BRANDIS: No, you are Craig, and sometimes so am I. But may I say...

EMERSON: [inaudible] confessions.

BRANDIS: May I say that this is not hyperbole. This is a shocking budget outcome, the worst budget deficit in Australia's peacetime history, \$58 billion. And over four years if every single optimistic assumption in the Budget turns out to be true the deficit will be \$188 billion. That's the best case scenario.

This is something that really should have people sleeping uneasily in their beds.

KING: So what's the biggest opportunity you think the Government has missed last night?

BRANDIS: I think the biggest opportunity the Government missed last night was to avoid putting the chequebook in the drawer, to avoid the crazy spending on which they've - in which they have indulged.

And it's not just this budget, by the way. This is now - the Government's been in power for only 18 months but it's a track record of 18 months in which they started with a \$22 billion budget surplus and \$50 billion in the bank in the future funds. So they were in the black by more than \$70 billion and now they're projecting a budget deficit over the four year cycle of \$188 billion, the worst deterioration of Australia's public finances in history.

KING: Alright, to Craig Emerson in just a moment but Senator George Brandis you talk about this crazy spending. Not the stimulus payments, they're already past history. Did last night amount to crazy spending? What wouldn't you have done?

BRANDIS: We wouldn't have committed to a whole range of programs which put the Budget...

KING: Name them.

BRANDIS: ...well into deficit.

KING: Name a couple of them.

BRANDIS: Madonna, there are - I'm not going to talk about individual projects.

KING: No, but why not? Because you're saying you wouldn't have spent this money.

BRANDIS: I'm not talking about individual programs because we are going to assess these projects or programs one by one in coming days. But what I want to call the attention of your listeners to is the budget outcome, the budget result, the worst budget result in Australia's peacetime history.

KING: Alright, you've said that several times. Let's move on from that. Just before I go to you Craig Emerson, surely there are several good things in this budget. George Brandis, name a couple of them.

BRANDIS: Well I'm struggling to - I mean, I'm not going to talk about individual programs.

KING: But your - I mean, Joe Hockey says that the pension increase, he says the retirement home increase, the tax cuts going ahead. Don't you think...

BRANDIS: Look Madonna the point I want to make, and I really don't want to deflect from the main point I want to make, there will be individual decisions in this budget - the pension increase...

KING: Yeah, but you have to answer questions too. You just can't come on and say what you want to say.

BRANDIS: The increase in the pensions is one which the Opposition called for last year. There will be, of course there will be things in the budget that the Opposition would have done too and will agree with, just as there are things that the Opposition won't have done and will disagree with.

But you've got to take a budget as a whole, as a package. I'm sure Craig wouldn't disagree with that.

KING: Alright, well let's go to Craig Emerson now. You've had a good go there Senator George Brandis and we'll come back to you in a moment but to Craig Emerson, how would you describe the Budget handed down by your treasurer last night?

EMERSON: Well it's nation building for recovery. That's what the Budget is. It's investment in infrastructure, investment in the talents of our people to prepare for recovery so that when we are in the recovery phase - and what we do know is that all economic downturns come to an end - that our businesses, that our people, will be ready and raring to go to compete on tough international markets.

KING: Alright, a lot of people this morning are saying, well there's no investment in small business, that there's no incentives for small business. What's in there for small business?

EMERSON: Well, there's a lot actually. The small business tax break is being increased from 30 per cent to 50 per cent for small businesses, and extended for six months.

This is a very strong incentive for small businesses to invest in plant and equipment and, obviously, it's being welcomed by small business organisations.

In the area of research and development there is a doubling of the incentive for small businesses to undertake research and development.

We're establishing a Small Business Support Line for those small businesses who say to me and to other people in the Government, who do we turn to during an economic slowdown for advice?

Well, we're establishing that advice and that support. And finally, because I don't want to go on to all of them, Small Business Online so that we can help small businesses get ready for the opportunities presented by the national broadband network.

And a big announcement that was made before the budget but is funded through the budget is this \$42 billion nation building stimulus package for tradespeople.

KING: Alright. So I asked George Brandis a couple of good things about the Budget. There must be a couple of things in it that you're disappointed about. What are they?

EMERSON: Me? I think it's a good budget...

KING: So nothing you were - well, what about the unemployed? You say on your treasury forecast that one million people are going to be out of work.

No extra help there for unemployed. Many of those will be the breadwinner with a tribe of kids to feed.

EMERSON: Well, there are measures there to support apprentices, for example, who have been disengaged, and again going back to incentives for businesses small and large to engage those people. What the truth is, that if it weren't for the stimulatory efforts that we have put in place Treasury estimates another 210,000 people would be unemployed.

So we're supporting business and supporting working Australians through that. Now, of course, we would rather that we weren't dealt this blow by the global recession but George is talking about the size of deficits.

Two hundred and ten billion dollars has been wiped off government revenue by the collapse in commodity prices and therefore the collapse in revenues here in Australia. That's about one in every \$5 of revenue. Now, we have to adjust to that.

KING: Alright. George Brandis, just on that point?

BRANDIS: Well, just a moment Craig because that's not quite right. Two thirds of the extra debt accumulated as a result of this budget has been accumulated as a result of discretionary spending by the Government, not because of shortfalls in the revenue. So two thirds of this extra debt as a result of decisions you made over which you had complete control.

You talk about debt. What you've omitted to say was that as a result of the deficits that the Labor Party has chosen to create - stop hiding behind the global financial crisis.

EMERSON: The minor matter of the global recession.

BRANDIS: Stop hiding behind the global financial crisis, Craig. You're running the economy. You made these decisions. You own this. You're the ones who chose to commit Australia to an unprecedented level of peacetime debt which, as of today, has every man, woman and child in this country in debt to the tune of about \$9000.

KING: Alright. Now we've heard that figure from Joe Hockey. We don't need to go over that again.

But on this issue of debt that Senator George Brandis keeps raising, Craig Emerson, you're basing your return to surplus on the fact that we will get growth over coming years that will allow that.

But Treasury didn't see this recession coming. What guarantee do we have, other than the Treasurer's word, that we will get the growth that allows us to get back into surplus?

EMERSON: The Treasury forecasts and projections are for when we do get into the recovery space for a more moderate pickup in growth than in the previous two recessions. That is, they are being very realistic about recovery, and therefore the figures that underpin - of growth - that underpin the Budget, are very realistic figures. As endorsed, for example, by Standard & Poor's overnight, who said, we believe - they said, we believe the deficit and associated borrowings do not alter the sound profile of the country's public finances.

KING: Yeah, but sometimes we say 'these support us'. Sometimes we don't mention them when they don't. Just say Treasury are wrong. Let's say - I'm not saying they will be, but they didn't pick the recession. Let's just say,

growth isn't that fast, is there a Plan B? Or does it mean putting off tax cuts, increasing the GST? What is Plan B to pay this back?

BRANDIS: Or even really a Plan A, Craig?

EMERSON: I'm just saying that these are very realistic figures. They are more moderate than those that have been associated with other recoveries.

KING: But is there a Plan B?

EMERSON: They are, George.

KING: Yeah, but they're not a guarantee. They're not a guarantee, are they?

EMERSON: It is a budget, which we brought down last night, and it is a very realistic budget. It has been endorsed as being very realistic by Standard & Poor's and I think that we need to accept that.

If the Treasury had, on the other hand, put in - and these are, remember, Treasury forecasts...

BRANDIS: Standard & Poor's ...

EMERSON: If they put in wildly optimistic forecasts, I think people could ask those questions, but they have not. They are very realistic forecasts.

And if I could say very quickly about this \$210 billion hit to revenue, Malcolm Turnbull is the King Canute of Australian politics. No doubt he's going to tell us on Thursday night how he's going to put commodity prices back up.

BRANDIS: I'm just astonished to hear that the only external endorsement that Craig can refer to for his budget is Standard & Poor's - that dreadful ratings agency that rated all those companies and banks in the United States that last year crashed because their credit rating was overstated by the ratings agencies. That really is a vagabond's endorsement, Craig.

EMERSON: Well, it's fascinating that the Coalition takes no notice of ratings agencies any more. That's also pretty interesting, George.

BRANDIS: I think it's interesting that the best you can do is rely upon Standard & Poor's who your own Prime Minister, Kevin Rudd, was anathematising only three months ago.

EMERSON: Remember, George, you were talking about crazy spending, right? Madonna asked you to nominate areas that you would cut. I heard Joe Hockey say that there's not enough in this for small business, but we wouldn't do anywhere near as much on the school building and refurbishment program. That's bad for small business if they don't do that. But on Thursday night Malcolm Turnbull can do what Steve Ciobo said he would do, show how

he'd halve the deficit, halve the debt, and the areas of government spending that he would cut.

BRANDIS: Craig, I know you are desperately eager to divert attention away from the debt, but we are - I am not going to let you get away with it. This government, in 18 short months, has taken Australia into - deeper into debt than any government in our peacetime history, with no plan to recover.

And Craig, something you said before, that these are modest growth projections, is wrong. The growth projections assume a 4.5 per cent growth over years to come after we come out of recession. That is above trend growth. So even on the most - the best case, most optimistic scenario, the figures are bodgie.

KING: Alright. Look, let's just move on to a couple of questions that people have asked this morning. You've answered the small business one and the ones about where the money comes from.

Martin called to say that he understands the average person has rules changed for salary sacrificing into super and we understand that's right. But he asks about politicians. From what he can read, they don't have any salary sacrificing rule changes.

Do the same rules apply to the politicians, Craig Emerson?

EMERSON: I think it depends on when you're elected because there is a set of superannuation arrangements in place for people who were elected before something like 2001, and they were grandfathered, as is often the case, for - and I was elected before 2001. But for people elected after that, I'm not quite sure how the superannuation arrangements work.

KING: Alright and Christine from Kenmore called to say she's a self-funded retiree. Her super's going down the gurgler and she's having to tighten her belt. She asks, why can't all politicians on all levels cut back on their own salaries and perks? Any suggestion that might happen?

EMERSON: Well, there was a freeze in the salaries of politicians. So I think that that shows that we have made some decisions there. There is some restraint there.

Look, I understand that people find easily - the sort of let's go at the politicians and that'll solve the problem. Even if that did happen, the savings would be tiny in the context of all this. But I think that it's fair, overall, for everyone to be expected to make some sacrifices and politicians have done that through the base salary.

KING: Alright. Sharon called to say she's most impressed with George Brandis's turn of phrase. She's never heard the word, anathematising - that's how you pronounce it, isn't it Senator George Brandis?

EMERSON: George's swallowed a dictionary again.

KING: It means to curse or declare to be evil. Is that right?

BRANDIS: It means to denounce.

KING: To denounce.

EMERSON: Why didn't you say so, George?

BRANDIS: I don't know, Craig [laughs].

EMERSON: Always use the long word when a short word will do.

BRANDIS: No, no, that's not right. But I guess I feel so passionate about the depth of the debt into which the Government has taken this country...

EMERSON: [indistinct] fascinated to see what Malcolm's going to do.

BRANDIS ... that no words are strong enough.

KING: Is that right?

EMERSON: Malcolm's going to tell all on Thursday night, as to how he's going to halve the deficit and halve the debt. I look forward to it with breathless anticipation.

BRANDIS: I hope, Madonna, your listeners do listen to Malcolm Turnbull on Thursday night, because, unlike Kevin Rudd, Malcolm Turnbull actually does know a thing or two about managing money.

EMERSON: He's going to put commodity prices back up.

KING: A final quick question before you go. It has nothing to do with the budget, but another issue dominating talkback this morning. Should Matthew Johns be sacked by Channel Nine today? Craig Emerson?

EMERSON: Oh, why did you make me go first?

KING: Well, Senator George Brandis?

EMERSON: That one's really tough. And look, it's really tough, and I don't want to prejudice the decisions that are being made today, or tomorrow. Obviously inappropriate behaviour by footballers towards women is a cultural issue that we need to deal with and I applaud the work of Geoff Gallop here - of David...

KING: David Gallop?

EMERSON: David Gallop, sorry, in what he's doing and the attitude he's taking to excessive drinking and poor behaviour towards women.

BRANDIS: Can I finish on a note of agreement with Craig? A couple of years ago, when I was Minister for Sport, I had a lot to do with David Gallop the CEO of the NRL. He's a very impressive man and I think people should have a lot of confidence in his judgment.

KING: Yes, okay. Well, he spoke certainly much stronger than both of you. I mean, Craig Emerson, you just said, inappropriate behaviour is a cultural issue. Is this just inappropriate behaviour or is it something much worse?

EMERSON: Oh, well, the difficulty for me as a politician is I don't know all the circumstances. I didn't see the program but I'm just making the general point that culturally there does seem to be a problem, obviously not with all NRL players. And I remember, for example, Hazem El Masri being absolutely outraged back in 2002, when he was expected to take tests and so on. So we don't want to tar everyone with the same brush. But there is a culture within football and I know Rugby League, Rugby Union, I don't know Australian Rules. But there is a culture there that involves very poor behaviour towards women and exploitation of women and I think it's unacceptable and it's a shocking example to young people.

KING: Well, I think that's probably the only thing you two will agree on today. Thank you for your time this morning. I know you're both busy today. We'll talk to you next week.

BRANDIS: Thanks, Madonna. Thanks Craig.

EMERSON: Okay, Madonna. Bye-bye George.

BRANDIS: Start paying back that debt, hey?

EMERSON: Tell us what spending you're going to cut.

KING: Dr Craig Emerson, Small Business Minister in the Rudd Government, and Senator George Brandis, Opposition Minister in Malcolm Turnbull's cabinet.

Ends