

INSIDE CANBERRA
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THE SERVICE ECONOMY
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DEREGULATION

SUBJECTS: Medicare surcharge; age pension; Julie Bishop and Wayne Swan; opinion polls; hidden talents.

KING: Hundreds of thousands of Australians might have to rethink their health insurance options after the Rudd Government backed down yesterday on changes to the Medicare levy. The plan, which would have allowed singles to earn \$100,000 before being penalised for not having private health cover, but some warned that would force people to flee from private cover. The Opposition still hasn't indicated whether it will support the Government's compromise. One of the issues, as we go *Inside Canberra*, and the pension and what's happening there still top of my mind and perhaps yours too. Dr Craig Emerson, Small Business Minister in the Rudd Government. Good morning.

EMERSON: Good morning Madonna from sunny Canberra this morning. A beautiful day.

KING: And Senator George Brandis, Opposition Attorney-General. Good morning Senator.

BRANDIS: Good morning Madonna.

KING: To Medicare first. First to Craig Emerson. Is the compromise aimed at getting this through the Senate?

EMERSON: It certainly is. We would like to have got through our original proposal to lift that threshold for where the Medicare Levy Surcharge comes in for singles from \$50,000 to \$100,000. We've needed to compromise to lift it only to \$75,000. It's better than nothing. It provides relief for some, but I think something in the order of 70,000 Australians will miss out as a result of that compromise. It is a tax cut and the Coalition says they are the parties of lower taxes. This would have been a tax cut so we're going half way but we'd still urge the Coalition to have yet another think about it.

KING: Seventy thousand people though promised that tax cut in the lead up to the election, won't get it now. Do you expect that to backfire on you? For there to be a backlash?

EMERSON: Well I'm not sure we did promise to lift the Medicare Levy Surcharge threshold prior to the election but we did so in the Budget. That's for sure and I don't know that there will be a backlash. I think people will be

frustrated because this \$50,000 was set, oh about a decade ago Madonna, and as you know when we talk about rising prices, there has been a need to adjust it. The previous Government never did. We wanted to lift it from \$50,000 to \$100,000, we're stuck at \$75,000. It's better than nothing I guess.

KING: I talk to people on this program who warned that it would lead to people fleeing private health cover. Is this a good in disguise? That people will now keep their private health cover?

EMERSON: Well not from our perspective. I mean a tax cut is a tax cut and, as I say, we would like to get a tax cut through. The Coalition is blocking that tax cut.

KING: You've said that.

EMERSON: I know and I'm just saying...

KING: I'm just wondering did you get advice on how many people would leave private health cover under it?

EMERSON: Yes, there was advice given to us on that and, you know, we don't necessarily agree with the statistics that have been bandied around in the private sector.

BRANDIS: What was the advice given Craig?

EMERSON: Well I'm not going to go through the advice here on the program George, but I'm just saying that we would like to see your party now reconsider. You've got a new leader. He said he wanted to have a bipartisan approach to economic management. It would be terrific if that extended to the Budget and...

KING: All right. Can I ask George Brandis, are you going to support this, George Brandis, as a Coalition?

BRANDIS: Well the Coalition has been opposed to this measure because, for the reason you indicated Madonna, we fear that it will have the effect of driving people away from private health insurance. Now, Peter Dutton, the new Coalition Health Spokesman, yesterday referred to a report from Access Economics which modelled this. Access Economics is one of the most respected economic consultancies, as you know, and Access Economics estimated that under the original proposal, that is to lift the threshold from \$50,000 to \$100,000 for singles and \$100,000 to \$150,000 for couples, it could result in as many as a million people leaving private health insurance. Now I think that modelling was based on the proposal in its original shape, rather than the proposal in its revised shape but nevertheless I think everyone accepts that what this would, the effect this would have would be to precipitate a flight from private health insurance and put greater pressure on the public system, make private health insurance, because there would be a smaller pool of people having access to it, more expensive still and it's

interesting that Craig has told your listeners that the Government itself had some advice, presumably economic modelling as to the effects of the proposal but he's not prepared to disclose what that advice was.

KING: All right, but can I ask you because you're not answering my question? My question is will the Coalition now support this compromise?

BRANDIS: Well the Coalition's position, it has been to oppose the proposal in its original shape.

KING: Ok, so we can expect...

EMERSON: We're not clear then...

KING: No Craig Emerson, I'm asking the questions. So, George Brandis, when will we expect a decision? That doesn't answer the question.

BRANDIS: Well that's a matter for Mr Dutton as the Health Spokesman for the Coalition, to indicate. Now I'm not aware of what Mr Dutton has said in relation to the amended proposal which just came on to the table last night, but that's a matter for him to indicate.

KING: All right. Onto the pension and this is the other side of the coin I guess. The Government has not allowed the \$30 increase in the single age pension. Why not Craig Emerson?

EMERSON: We want to do this properly. We want to do it comprehensively and we don't want to leave two million people out of the equation and that's what the Coalition's policy would do. It is restricted to the single age pension and I think, belatedly, to some veterans' pensioners but it leaves out completely married pensioners. It leaves out disability support pensioners and I'm sure, Madonna, that your listeners who are married pensioners would be bewildered as to why the Coalition thinks that they don't deserve an increase in the pension. We'll do this in the context of the review that we've announced and that was several months ago. We're ploughing ahead with that work and we also wanted, Madonna, and when I say doing it right, if you just increase the pension in its own right without, for example, and I'm just giving an example, taking account of pensioners who rent, then in public housing, they'll lose a quarter of that. So let's do it right and let's do it comprehensively.

KING: But what might confuse some people is there were Freedom of Information documents I think on Channel 7 last night showing that Labor actually looked at this proposal too. To increase just the single age pension by \$30 a week. So it's something you thought about as well but you're saying, you know, it's wrong for the Coalition to go ahead and try and do it.

EMERSON: It's our view that it's best to do it right - to do it comprehensively to pick up all of those people in need rather than the single aged pensioners alone. So that's the policy that we've announced and we are ploughing ahead

with that work to make sure that we do it right and we do fix issues such as, you know, the disability support pensioners and the married pensioners.

KING: George Brandis, are your, is your Party playing politics? You had plenty of time to actually do this. Now you're in Opposition you don't have the right to pass legislation like this but that's what you're trying to do.

BRANDIS: Well we passed it in the Senate. We passed it in the Senate but the Government held it up in the House of Representatives. That's the fact. Now, you know, Craig's answer is a remarkable answer. I mean this is rapidly re-writing the script here live on Brisbane radio. The reason the Government gave initially for opposing this measure was that it was just opposed to it outright. It said wait for the Henry Review which isn't going to be for another six months. It was nothing about, you know, equity between other categories of pensions. It was simply, flat out opposition to it until the Henry Review had reported. But pensioners can't wait this long. I mean the point I keep making to people, Madonna, is that these are hard economic times; that the age of prosperity that we enjoyed under John Howard and Peter Costello is in the past sadly. People know ten months after the new Labor Government has been in office that economic times are hard. They have less money in their pockets than they used to have. This is what always happens when you have Labor Governments. So our case is protect the most vulnerable people in the community first.

KING: But you didn't do that before the election for ten years. You put it up slightly, but even in the lead up to the election your own Party was saying it wasn't enough for pensioners to survive on.

BRANDIS: Well hang on a sec. Two points Madonna. First of all we did increase the pension as you acknowledge but secondly the point I'm at pains to make is that these are hard times. We had the age of prosperity when Peter Costello was Treasurer but that is in the past now. People are under more financial pressure now than they were this time last year. So when the economy goes sour as it has under this Labor Government, and under Wayne Swan who, as Craig knows, is a very inexperienced Treasurer who was underweight for the job, the time is now to protect the most vulnerable people in the community when they are under greater pressure than they were.

KING: All right. You just referred to Wayne Swan as too junior for the Treasury position. Your own Treasury spokesman hasn't had the best start to the job. She's been appointed the Opposition Treasury Spokesman. I'm talking about Julie Bishop, in the latest reshuffle of your front bench. In the last couple of days she's been unable to nominate what the official interest rate is. Again yesterday she was accused of plagiarism. Is she up for the job?

BRANDIS: Of course she is and, you know, you can play these silly "gotcha" games about economic statistics but let's compare the backgrounds of these...

EMERSON: They do matter George.

BRANDIS: No, no, come on Craig, let's compare the backgrounds of these two people. Wayne Swan's entire life experience has been as a Labor Party organiser. Nothing to do with commerce. Nothing to do with the world of business. Nothing to do with the economy. Julie Bishop was a senior commercial lawyer in Perth for many years and in her life experience before she went into politics was a leading member of the Perth business community as the senior partner of one of the biggest law firms in Western Australia. So I think she is a little bit more familiar with commerce than Wayne Swan is.

KING: You've had your say.

EMERSON: Well you'd think she'd know what the cash rate was then.

KING: Well, and that's an interesting point Craig Emerson makes, but George Brandis, you've had your say. Craig Emerson, in support of Wayne Swan?

EMERSON: Well Wayne Swan's doing a terrific job and the work that he's doing is being endorsed today by the International Monetary Fund with a report that is out endorsing our Budget strategy, endorsing our overall economic strategy and indicating that Australia, while not immune from the world financial meltdown, is well-placed to ride it out because, not only has the strong budget position that we're trying to get in if we could get the support of the Senate, but also our overall economic reform program. Investing in education, investing in infrastructure, to lift productivity growth because we know productivity growth is tomorrow's prosperity. A very good endorsement from the International Monetary Fund.

BRANDIS: You know it's all very well, Craig, to talk about investing in infrastructure but as we all know, the reason that the infrastructure of the country is lagging behind is because State Labor Governments, which are primarily as we all know, responsible for infrastructure like ports and railways and so on, have been asleep at the wheel for years, particularly in Queensland.

EMERSON: Well George you've been complaining about State Labor Governments going into debt to fund infrastructure, now you're saying well they shouldn't be going into debt, they shouldn't be funding infrastructure at all. I don't know where you're coming from.

BRANDIS: I don't know (inaudible) State Labor Governments full stop Craig because they've been incompetent.

KING: Now, Newspoll, now you raise that. Newspoll out this morning shows Labor's vote down in Queensland and South Australia and perhaps I should I ask Craig Emerson this. Is there a connection here? Does this mean that Kevin Rudd's on the nose here in Queensland or is it Anna Bligh that's on the nose?

EMERSON: I think it's a broader issue Madonna, if I might say, and that is the issue of incumbency. But yes, the State Labor Government in South Australia, as you say in the Newspoll, is not travelling as well as it was before. Same in Queensland. We lost the West Australian election, got pushed hard in the Northern Territory election but this is a phenomenon not restricted to Australia. Incumbents around the world in these very uncertain times with the global financial credit crunch and slowdown in economic growth around the world are in trouble. So I think it's, I'm not saying it's the total explanation Madonna, but I'm simply saying that incumbency at the moment, particularly for governments that have been there for some time, is weighing them down somewhat.

KING: And just, both of you, pretend you don't belong to the political parties you do, just historically is there also an issue that in Australia we don't like to have a State of one colour and the same colour Federally? Whether it's Liberal or Labor. Is that part of what's playing out here?

BRANDIS: Well I think it's certainly true that it's unusual for there to be the State and Federal Governments across the country being all of one political persuasion. To the best of my recollection that's only happened twice. It's happened in the last ten months and I think happened for a few months in about 1972 as well.

EMERSON: It might have been the late 60s, but thereabouts.

KING: So it's a long time, based on that. You would expect some Labor Governments that are still in power to perhaps fall over the next couple of years? Craig Emerson?

EMERSON: Well, if what George is saying is statistically true, it just depends on the quality of their performance, but I do agree that the fact that a number of Labor Governments have been in power for some time and that economic times are pretty uncertain. That is an extra burden that they need to bear and they therefore need to revitalise and remember, I'm not making a political point here Madonna, but you do need a revitalisation, a rejuvenation of governments. Otherwise, as Peter Costello said, the electorate will do it for you. I think Anna Bligh's trying to do that, Nathan Rees is trying to do that in New South Wales, they're doing it in Tasmania as well. That's the way to get rid of this burden of incumbency in my view.

BRANDIS: I think there's an element of truth in that but, you know, it's not the full story, nor do I think Craig claims that it is. I mean it's possible for a newly elected government to be hopeless. As you know, the Federal Labor Government has disappointed so many of the expectations that were generated about ten months ago when people decided to vote out John Howard and voting Kevin 747 and, you know, you can't go to a shopping centre, you can't have a conversation about politics in this country these days without people, many of whom voted Labor at the Federal election last year,

expressing disappointment that this is an all-talk, no action Government and it's only ten months old.

KING: Can I ask Craig Emerson, an issue on that, let's not talk about whether it's right or wrong, Kevin Rudd going overseas this week. Our listeners have been arguing about that all week, but one question in people's minds is, Kevin Rudd has gone overseas and he's meeting global fund managers and everyone else because of the financial crisis, but Nick Xenophon is an independent sitting in Canberra who can decide whether Labor's Budget is passed or not and Kevin Rudd hasn't found the time to meet him yet. Craig Emerson, wouldn't Nick Xenophon be a bigger priority?

EMERSON: Well Nick Xenophon, as you say, is very important. Other Ministers are certainly meeting Nick and they are finding him good to deal with. They are discussing similar issues with Stephen Fielding and that's why we are getting some compromises through the Senate. Nick Xenophon is a very experienced Senator. I think he was in the Western Australian Parliament for about ten years.

BRANDIS: South Australian.

KING: South Australian.

EMERSON: Sorry, the South Australian Parliament...sorry about that.

KING: Yes, we've spoken to him many times, but I'm just wondering, you're saying other Ministers have so let's leave it at that, but just before you go now, I just want to play you something. This is the Latvian Prime Minister. I just want you to compare yourselves to him. Just listen to this:

Ladies and gentlemen, surprise, your Prime Minister,

Audience cheers.

Latvian Prime Minister plays All Right Now by the Rolling Stones.

KING: Now that's the Latvian Prime Minister playing the drum kit of Roger Taylor at a Queen concert. Do either of you have a talent we're unaware of?

EMERSON: Far out and heavy metal! I actually play the guitar but the reason it's a hidden talent is a very good one. I don't play it all that well but if we've got a bit of spare time I could do *Take It Easy*, *American Pie*, a couple of other songs for you on the program but we'd need to have a lot of spare time and I think your listeners might desert you.

KING: Well, let them decide that. Next time you're in Brisbane and we're doing *Inside Canberra* will you bring your guitar in?

EMERSON: I will, I promise.

KING: George Brandis, will it be a harp?

BRANDIS: Madonna if I told you what my hidden talents were they wouldn't be able to be hidden.

EMERSON: And they are numerous.

KING: Yes, well tell me what your talents are.

BRANDIS: Look, I just stick to doing my job as a Senator I'm afraid.

EMERSON: George sticks to his day job.

KING: All right gentlemen, thank you. Look forward to talking to you next week.

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