

INSIDE CANBERRA
WEDNESDAY, 1 OCTOBER 2008

HON CRAIG EMERSON MP
MINISTER FOR SMALL BUSINESS, INDEPENDENT CONTRACTORS AND
THE SERVICE ECONOMY
MINISTER ASSISTING THE MINISTER FOR FINANCE ON
DEREGULATION

SUBJECTS: Garnaut final report, US financial crisis, maternity leave.

KING: Professor Ross Garnaut released his final report on climate change yesterday and this is your future: clean electric cars, giving up lamb roast and rump steaks for chicken and pork, living in higher density cities, travelling by train not air, farmers will grow grass and eucalyptus for carbon trading, kangaroo might even become our biggest export. That's the future painted in the news this morning after Professor Garnaut's report and one of the issues, along with maternity leave and the ongoing economic roller-coaster you'll hear from our politicians as we go *Inside Canberra*. Dr Craig Emerson is Small Business Minister in the Rudd Government. Good morning.

EMERSON: Hello Madonna.

KING: And Steven Ciobo, elevated to the Turnbull Opposition Cabinet. Good morning. Good morning Steve.

CIOBO: Good morning Madonna.

KING: Yeah, sorry I had the wrong mic up. Let's go to climate change first, gentlemen, if we can. Professor Garnaut said we should cut greenhouse emissions by 25 per cent by 2020 as part of this strong global deal but he warned that a less ambitious target was more realistic. Is this debate as much about pragmatics as anything else? Craig Emerson.

EMERSON: It's really about the effectiveness or otherwise of Australian policy. Australian policy is more effective if we are part of a global agreement because then not only are we reducing our emissions, other countries are reducing theirs and we can make real progress. If other countries, however, don't have the heart to do that, then Australia making deep cuts on its own won't achieve the desired reductions in global greenhouse gas emissions because of the small size of Australia and that's why Ross Garnaut's got two scenarios there.

KING: All right. I'll come back to that in just a moment. Steven Ciobo.

CIOBO: Well Madonna, I find Craig's comments interesting and the reason I find them interesting is because he's effectively saying what the Opposition has been saying for some time. The Opposition's key concern with this Government's pursuit of a climate change emissions trading scheme is that it's attempting to do that by 2010 before we even know what the next

US President's policy is going to be, before we have the Copenhagen Summit at the end of next year and on a whole range of key measures, Australia will be rushing headlong into making and building a emissions trading scheme before we know what the rest of the world is doing.

KING: So that was actually the point I was going to raise with you Dr Emerson. Does it matter what we do, to both of you, with emissions if other countries don't?

EMERSON: Well if I can just pick up both of those points and yours Madonna, we will know what the next US President's doing because that election is in November. There's a Copenhagen Conference and hopefully some form of agreement towards the end of next year. So we will have a lot of valuable information.

CIOBO: That will be too late Craig.

EMERSON: Well it won't be too late Steven and I have to say, and I don't want to engage in a big political debate this morning if that's possible to avoid, but I have to say that we shouldn't simply come up with excuses to delay. We need to come to grips with the problem, it's getting worse, not better.

KING: Yes, but my question was, let's say all right you say that the United States will have a view, Copenhagen might have a view, what about something a country like China? Does it matter what we do with our emissions if countries like China don't? Because, Craig Emerson, you make the point, we're a fairly small country.

EMERSON: That's right but we also need to show some leadership as we have done in things like trade negotiations. Sure if we were out on our own trying to cut our emissions and no-one else cooperated then the total effect of that would not be very significant in terms of reducing greenhouse emissions and at the same time it could lead to the export of Australian jobs. I'm fully aware of that. Ross Garnaut's fully aware of that and that's why he's saying that if we can be part of an effective global agreement then we can be more ambitious and look at cuts of up to 25 per cent.

KING: Steven Ciobo, what's wrong with that?

CIOBO: Well Madonna, look Craig probably is more realistic about these things than other parts of the Labor Caucus. I mean I think Craig understands and I certainly do and the Opposition does that Kevin Rudd has a heavy burden to carry with the Labor Left. The problem here Madonna, is that on the one hand Craig said we need to be pragmatic in the sense that we need to have a global agreement but in the same breath he says we need to have global leadership on this. He, himself, just admitted that Copenhagen Summit which is the next international agreement-making process is at the end of next year. So that's the end of 2009 and yet the Rudd Labor Government says that the Australian ETS will be in place 2010, only a matter of months after that. So the notion that in some way Copenhagen will be able to inform the

design, roll-out and development of the Australian ETS is farcical because it will only be a matter of possibly weeks after that that the Australian Government is commencing its program and this is the Opposition's fundamental problem with this very rushed plan that Kevin Rudd has.

KING: All right, well look let's stay away from the politics in a sense, can we take it down to the voter level? Do you think people listening to you now are really committed? I heard one survey where people love the idea of climate change and fixing it, of going green, but they want to keep their clothes dryer. That in a busy life where mum and dad work, convenience will always win out. Is that a problem?

EMERSON: I think it's an issue Madonna. I think people will accept some inconvenience but they won't do it at any price and that's just a reality. They would like to play their part so long as everyone else is playing their part; that is within the country, and particularly overseas. So I think people are prepared to make adjustments and sometimes this whole debate comes across as if it's going to be incredibly difficult for us to reduce greenhouse gas emissions. I think electric off-peak hot water systems are going to be phased out in the next couple of years. Now, if that's the case then we can actually achieve quite significant gain in terms of reducing greenhouse gas emissions. Ross Garnaut's now talking about something that I've been particularly interested in and that's re-vegetation which acts as a carbon sink. So not all of this has to be really harsh medicine by any means. I think that through technology we can make significant progress here.

KING: But are you going to travel by train not air Craig Emerson? Eat kangaroo? Give up lamb roasts? Can you see yourself doing that?

EMERSON: Well I don't think I'll be travelling by train to Canberra every Parliamentary sitting period and I have to confess I've never tried kangaroo meat but I was fascinated to see Ross Garnaut talking about that as the little kangaroos leave a smaller carbon footprint.

KING: Well that's zero out of two. What about you Steven Ciobo? Trains? Giving up the lamb roasts?

EMERSON: Yum yum, red meat.

CIOBO: Well Madonna, I have eaten kangaroo.

EMERSON: Leave Skippy alone!

CIOBO: I shouldn't claim that it's part of my regular meals. It's not but look I think Craig makes a good point. There certainly are a whole array of activities that we can engage in or indeed not engage in Madonna, that do have a positive impact on the environment and I do believe that the community has a real appetite for making sure that we do undertake activities that are ultimately going to be in the interests of helping to look after our planet. The key issue here and really it's a bit of a cliché, but the devil is in

the detail Madonna and I think what the Australian people and what we're seeing from polls and a variety of different surveys is the Australian people are committed to doing their bit to help the environment but they want to know that we're not going to be mugs about it. They want to know the rest of the world is going to be doing their bit as well and they also want to know what the ultimate impact will be on their lifestyles in the home.

KING: All right, well let's move on to another topic. We're listening to Steven Ciobo and Craig Emerson this morning as we go *Inside Canberra* and the one issue we can't escape this week is the economic crisis. The Reserve Bank next week analysts are saying is expected to cut the official rate. Do you think the banks should pass that on or is there a reason now, as the Federal Treasurer Wayne Swan seems to be saying, that they can keep it because their borrowing costs are rising? Craig Emerson.

EMERSON: Well obviously I'll have to say it first: I have no idea whether the Reserve Bank will cut interest rates. Politicians always need to say that. I've got no insights into that. But, look, they are really, really difficult and challenging economic times and the cost of borrowing is rising through this meltdown so...

KING: What's your answer to my question?

EMERSON: Yeah, my answer, I'm just getting to that. I mean last time we discussed this on your program I was very strong and strident in saying they must pass on the full rate reduction. I would love to see them do that. We would urge them to do that but whether that is a reality if the Reserve Bank does cut interest rates I think the economic environment is, you know, global economic environment has deteriorated significantly since then and their costs are going up.

KING: Are you arguing, or you're certainly slightly differently from last time we talked about it, are you arguing a different view to your Treasurer?

EMERSON: No, I'm arguing the same view as the Treasurer and Wayne said that he would hope and expect that the banks do pass on any reduction in interest rates but at the same time I don't think we've seen this sort of global economic situation for a long time. So it's just a reality that their costs are going up for all finance, all around the world as a result of this meltdown.

KING: Steven Ciobo, what is the Opposition's view on this? That the banks next week, do you think they should pass any official rate cut?

CIOBO: Absolutely Madonna. It's that straightforward.

KING: But borrowing is going up. Does this put banks in a precarious position as we've seen in England and America and in some parts of Europe?

CIOBO: No, Australian banks are among the best capitalised and most well regulated banks and that's been a result of both Labor and Liberal

policies over a long period, but especially a lot of the reforms that were undertaken by the Coalition in the previous 12 years. The key, Madonna, here is I think it's very dangerous when the Treasurer runs up the white flag. There's no doubt that borrowing costs have increased and, Madonna, if we'd had Australian banks just falling over the line in terms of their profitability well then there might be more sympathy for that argument, but in reality we have seen Australian banks that are very well capitalised achieving record profits and I do believe that we must, at a political level, put maximum pressure on behalf of those ordinary Australians that are going out there and working and then having to pay their mortgage, putting maximum pressure on the banks to pass on each and every cent of that reduction in the official cash rate.

KING: All right, can I get you to look, and it's probably an unfair question, but you guys are the policy-makers, looking a year down the track. People are putting their money into super, people are worried about their share portfolios, everyone keeps saying, look just hang in there, hang in there. What do you see our economy looking like in a year's time? Steven Ciobo first.

CIOBO: Well Madonna I was going to say Craig's got the doctorate in economics.

EMERSON: I'll correct your exam paper Steve.

CIOBO: Look Madonna, I don't really know to be honest. I mean I have some genuine concerns. Obviously the global financial tightening is a key issue and that doesn't appear to be abating any time soon. There seems to be a real fork in the road as to whether this problem continues to get worse or whether we now slowly start to improve and I'm not even going to guess about where that will be. Domestically can I say I've got some genuine concerns about the state of the Australian economy. We see consumer confidence at record lows, business confidence at record lows, we are about to see increases in the cost of employing Australians as a result of some of Labor's changes. I've got genuine concerns that we will see the Australian economy really start to flounder in 12 months time.

KING: All right, let's go to the man with the PhD in Economics. Craig Emerson, on the spot, what will we be looking at in a year's time?

EMERSON: I think we'll be looking at a reasonably strong economy, presuming that this big financial injection from the US actually goes ahead. You'd have to think that there's a reasonable chance of that. The Congress men and women are very worried about passing it because it's not a popular measure in the United States because people, and I can certainly empathise with them, say well hold on, when big guys get in trouble they get bailed out and when the little guys get in trouble, you know, they have to sink or swim. So the voters are...

KING: It does seem a bit unfair when you paint it like that you can see why people would have a problem with it can't you?

EMERSON: Yeah, absolutely and I'm sure it was, at least in part, a sense of self-preservation by those members of Congress who decided to vote against the wishes of the Treasury Secretary and the President of the United States because the people don't see the funny side of it. But look, assuming, it seems to me, Madonna, that it's unsustainable for it to just go along indefinitely without a big injection like this. Assuming that happens, I think in time it will all wash through. We are, fundamentally, very, very strong here. Steve's right and I acknowledge the contribution of the previous Government to building a strong financial sector here with strong prudential requirements, strong regulation. So we are better positioned and we're linked to China much more strongly than we used to be.

KING: All right, and just before I go on to maternity leave, I won't ask you about your own share in real estate portfolios, but if you had, if you inherited \$100,000 today would either of you think about going and buying shares or going into the real estate market? Or are you like everyone else and just kind of taking a step back and seeing what would happen? Just really briefly.

EMERSON: Yeah, from my perspective, these things need to be considered as long term investments and, you know, we've had since 1987 enormous drop in world stock markets.

KING: Yeah, but I just want you to answer that question.

EMERSON: Yeah, well I'm just a little reluctant because I don't want to be people's financial advisers, but if I did have money I'd probably be putting it into the very assets that you're talking about.

KING: And I don't think you need fear I'm not sure many of us would take our investment advice from a politician.

EMERSON: Laughs. But as a long term prospect, I mean, Madonna, not something, you know, that would come good in two or three days time, but as a long term prospect.

KING: Steve Ciobo, really briefly.

CIOBO: Madonna, look I agree, if I had inherited \$100,000 today I certainly would be looking at purchasing what I think are some very over-sold and under-valued shares...

KING: So shares, not property?

CIOBO: Well, I much prefer shares because they're much more liquid than property.

KING: All right, just quickly on maternity leave. The Productivity Commission has released its recommendations on maternity or parenting

leave. Who should pay for this? Government or small business? Steven Ciobo?

CIOBO: Look I think it's important that we actually get this right. There is a social benefit and the reality is that I think it's a hybrid model Madonna. I don't think it's got to be either or. There are many, many examples of larger Australian companies that successfully invest in their people by providing good maternity, and in some instances paternity, leave and I think that's a big positive but then we bring it down to a small level, Madonna...

KING: But bottom line is you're saying Government.

CIOBO: No, no, bottom line I'm saying it's a hybrid model. I don't think the burden falls 100 per cent on either.

KING: But you support parenting leave?

CIOBO: Absolutely, absolutely. Madonna if I could just say one quick thing, when it gets to small businesses in Australia, and this is why I say it is a little bit of a hybrid, small businesses in Australia shouldn't have to bear the burden and that should be something that falls back on Government.

KING: All right. Craig Emerson, do you agree there?

EMERSON: I do. We are doing everything we can to ensure that there's no, you know, particular or heavy burden on small business. Mind you, small businesses will be the beneficiary of a taxpayer-funded scheme, but, you know, we know how important small business is to our economy and job creation.

KING: All right, the last question before I let you go. Daylight Saving starts this weekend in most of the rest of the country, not in Queensland. How much does that affect you? Working in Canberra, living in Queensland. Craig Emerson.

EMERSON: Quite a lot and it's a pain in the butt. But the people have spoken many, many times particularly those outside of the south-east corner of Queensland. One day, it might be in 50 years time, a zone that stops at the Noosa River has a Daylight Savings zone from the Noosa River down, I think, would be terrific.

KING: It sounds as though you're saying we might have our Republic before we have Daylight Saving. Steven Ciobo, what do you think there, just briefly?

CIOBO: Madonna, I am completely in favour of Daylight Savings for the south-east corner. Craig and I perhaps could start up a Daylight Savings political party and just petition for the south-east corner to have it and leave the rest of the State alone.

KING: Well, can I say that you would certainly have some members you could recruit from my listeners but you'd also have some people who wouldn't give you a vote in a hundred years. Steven Ciobo, Craig Emerson, thank you.

CIOBO: Thank you.

EMERSON: Thanks very much. Bye bye Steve. Bye Madonna.

KING: *Inside Canberra* for this week and we'll be back at the same time next week. You're on 612 ABC Brisbane.

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