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INSIDE CANBERRA

Madonna King and Senator George Brandis

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SUBJECTS: Rate of the GST; budget position; Tim Mathieson; celebrity status of politicians.

KING: Now a business heavyweight, former member of the Reserve Bank, has come out calling for the Rudd Government to slash the GST in half. The Government keeps telling us to keep the recession at bay we need to spend and businessman Solomon Lew is saying that if the GST was five per cent, that would immediately give that injection of cash for us to go out and buy and I'm wondering if you would do that? If the GST was cut, would you save the money or would you go out and spend it?

That's just one of the issues our political insiders, Labor's Dr Craig Emerson and the Coalition Senator George Brandis will have a view on no doubt. Gentlemen good morning.

BRANDIS: Good morning Madonna.

EMERSON: Hello Madonna. Hello George.

KING: Dr Emerson, can I start with you? I think you've got a Doctorate in Economics. Solomon Lew's thinking makes sense doesn't it? Cut the GST and there will be more money in the economy to spend.

EMERSON: We have no plans to cut the GST rate. We've already injected \$10.4 billion into the economy and that's yet to flow. It starts from the 8th of December for families and also for pensioners.

KING: Yeah but that's not the question I asked you. The question was, it makes sense, if you want people to spend more, if you cut the GST it would be mean more money would flow around the economy?

EMERSON: Well I'm saying we're not planning to do that. If you abolish taxation there's more money flowing around the economy, you just have a

little problem called State Government and Federal Government financial positions. So it's easy to come up with ideas to...I think the GST, Madonna, collects now in the order of \$40 billion so Solomon Lew is proposing a \$20 billion extra fiscal stimulus before the \$10.4 billion stimulus takes effect.

KING: Well Britain has just cut its Value Added Tax. It's cut it from 17.5 per cent to 15 per cent so it's not as though it's a radical idea that no-one's ever tried.

EMERSON: Well we've always supported a stable GST. We've said that we wouldn't be tinkering with the rate of the GST or any other features of the GST. That's our position. That's what we said pre-election and when you talk about Britain, the report that we may get on to in a minute, from the OECD, shows that Britain, Europe and the United States are going to be in quite deep recessions and our position is quite a bit stronger than that.

KING: Well in some ways. I will get on to that in just a moment, but George Brandis, on the same issue, GST?

BRANDIS: Well the Opposition isn't calling for any alteration in the rate of the GST.

KING: Now that may be the case but I don't want to talk politics. I mean, do you think that would lead to bigger spending in the economy?

BRANDIS: Well, you know, arguably it would for the reasons Craig outlined but all I can do is repeat the Opposition is not calling for a alteration in the rate of the GST and you've got to remember too, Madonna, that under the arrangements that the Howard Government instituted for the GST, 100 per cent of it goes to the States and the States, albeit that they're a very inefficient level of government, but the States themselves are meant to spend that GST on hospitals and schools and so on, so it's not as if this money sort of disappears into nowhere.

KING: All right, let's move onto that and you might have a view on that at home given Britain has just done that, I mean, in an attempt to stave off a recession in that country. Calls also this morning about whether we need to go into deficit or not come the Budget. Is there a psychology in Australia that we shouldn't send the Budget into deficit, that we shouldn't fund massive spending programs if that means putting the Budget into deficit? Senator George Brandis?

BRANDIS: Well I think the most important thing to remember about that issue, Madonna, is that it's only a year since the Labor Government was elected and at the time the Labor Government was elected they inherited from the Coalition Government, which was famous for its good economic management, a \$22 billion surplus and it's for that reason that Malcolm Turnbull has been saying that there is no need for the Budget to go into deficit because the financial health of the country was so good at the time when the Labor Party was elected.

KING: It seems, Craig Emerson, Senator George Brandis is saying you've been spending like drunken soldiers, sailors?

EMERSON: Well I'd better correct George there. It was a \$22 billion surplus bought down in the May 2008 Budget. The election, in fact, was in November of last year.

BRANDIS: But you don't deny that it was largely accumulated during the course of the Howard Government Craig? You can't deny that.

EMERSON: If I could just finish. If I could just finish I would point out that that surplus was built on a number of measures that the Coalition strongly opposed in the Senate and we got a few of them through with the support of the Independents and secondly, that it also involved cutting the growth in government spending from five per cent under the previous Government which claims to have been good economic managers, to just one per cent. We built a strong surplus to be deployed in hard times. The hard times have arrived and that's why we've allocated, out of that \$22 billion surplus, more than \$10 billion to inject, as a stimulus, through the Economic Security Strategy that, as I said, starts from the 8th of December.

KING: So it is a risk though isn't it? If people don't go and spend that money, there's not as much left for a rainy day if we fall upon, if these harder times go on.

EMERSON: That's why we have built a strong surplus and look, I do acknowledge, George, that the previous Government had surpluses. I'm not saying that history started on the 24th of November, but I think it's a bit rich to claim the Budget surplus of the May 2008 Budget as the Coalition's own. But look I don't want to spend a lot of time on that, Madonna. I think people will spend the money. George and I and you have had many discussions on this program about the very difficult circumstances of pensioners trying to make ends meet. It doesn't then fit, and I know you're not suggesting this, to say, well but the pensioners will save the money. I reckon they'll spend it all right and that will start on the 8th of December.

BRANDIS: Well can I very quickly pick you up on that Craig and let's just spend about 30 seconds talking about history. Let's go back to the 2nd of March 1996 when the Howard Government was elected. When we were elected we inherited from the previous Labor Government a \$96 billion surplus. Now eleven years and eight months later when we went out of office the surplus, the Budget surplus was zero, the public debt, the surplus was \$22 billion, the public debt was zero and the accumulated public savings in infrastructure funds and the Future Fund was \$68 billion. That's the turnaround during the Howard Government.

EMERSON: Well, I think in fact you buggered that up George. There wasn't a \$96 billion surplus at all.

BRANDIS: No, \$96 billion deficit from the Labor Party.

EMERSON: I know, you said surplus and that's why I think there are hazards in going back to '96, '83, '75 and earlier.

KING: All right, well let's go forward. Do either of you think it is a big issue if we do go into deficit at the next Budget if it is funding spending programs to stave off a recession? Is it important to stay in surplus I guess?

EMERSON: Well it's important to keep the economy afloat. The OECD just today is forecasting continuing growth in the Australian economy whereas the rest of the Western world, according to the OECD, will be in quite a deep recession. These figures are quite stunning for the United States and Europe, Madonna, so that's consistent with our mid-year economic fiscal outlook and so I think things are going as well as we could expect and based on those figures, based on those figures, we would remain in surplus.

BRANDIS: Can I come back very quickly on that? Nobody says that the global financial crisis is the fault of the Rudd Government but what the Rudd Government is responsible for is how it handles it domestically and the big difference between Australia and all the other western economies affected by the global financial crisis is in the early months of this year. It was the Rudd Government and Wayne Swan, in particular, who was the only Finance Minister in the Western world talking his own economy down. Remember all that rhetoric about getting the inflation genie back in the bottle.

KING: Yeah, but does that really matter given the OECD report that came out overnight and maybe people sitting at home haven't actually heard what the OECD said but they've shown, I guess we've seen this morning, the global meltdown and how it's impacted on BHP Billiton. The OECD is mildly optimistic that we will avoid the worst of the meltdown but in Australia it does warn, Dr Craig Emerson, of a sharp drop in house prices. We've got financial markets factoring in an interest rate cut next week of 1.25 percentage points, unemployment rate could reach six per cent by 2010. Just throwing the politics aside, if both of you can for 30 seconds, I mean where do you think we are in this cycle? If you're sitting at home, do you think we've reached the bottom or have we still got a way to go?

EMERSON: Look, I've always been mildly optimistic. I won't put it higher than that. I believe, and I would say this, that the early initiatives taken by this Government have helped build the sandbags to absorb the greatest turbulence that would come from overseas. We can never be absolutely sure of how much turbulence will reach our shores but so far some has. There is projected to be a slowdown and, you know, you've reported on some of these OECD statistics. But relatively, to other countries, we're well placed and I think it would be a fantastic achievement if we can just navigate our way through this with the business community with a bit of support from the Coalition. And if we avoided, you know, the sort of problems that are forecast for the United States and Europe, that would be a very great achievement, not

by just the Government, but by the business community and the Australian public generally.

KING: Let me pull you up there because you paint this, you've said that would be fantastic if you are sitting in your electorate this morning or, you know, in Caboolture or in Indooroopilly or in Beenleigh or wherever, and that OECD, while it is mildly optimistic, it says, its words are "a sharp drop in house prices", you're not going to be sitting there thinking well hasn't the Government done a fantastic job.

EMERSON: No, I'm saying that if we could avoid the sorts of problems that are already happening in the United States and Europe and Japan and get through this, we are not immune from it, we cannot say that there will be no impacts from overseas, already there are some.

KING: Yes.

EMERSON: But if we work in partnership and I think really importantly if we can maintain some consumer confidence and business confidence so that it doesn't become a bit self-fulfilling, Madonna. You know if everyone feels that it's going to be really bad and doom and gloom, they'll behave that way and then it will happen. So I think there is some room for some mild optimism that we will get through what is undoubtedly a very difficult and challenging time.

KING: All right. George Brandis?

BRANDIS: Well, look, one last word if I may. I think most people would agree with most of what Craig just said. It is a challenging time. The simple point I would make, and I really don't think it can be fairly contradicted, is that at the time of the change of Government a year ago, the outgoing Government left the national balance sheet in a very healthy state and in a much healthier state than any other western economy and the extent to which Australia can come out of this with a slightly softer landing than other nations is largely to the very good shape in which we left the economy to our successors.

KING: Is there a point where you no longer hark back to before November last year? At what point does the Government get the credit or the criticism for what's going on?

BRANDIS: I think the Government is entitled to whatever credit, or is subject to whatever criticism is attached to the way in which it handles this crisis.

KING: All right, let's move on and I just want to ask you about this. Tim Mathieson, the partner of the Acting Prime Minister, Julia Gillard, is a former barber but he hears a lot about men's health problems while giving them a haircut and now has been appointed by the Government, I see, to be a men's health ambassador. A view on that Craig Emerson?

EMERSON: Well it is an unpaid position. If a guy wants to do, take up the responsibility with others, of doing this I think that's very good.

KING: Should it be applauded.

EMERSON: Of course it should. It's an unpaid position. I don't know why some media are so critical about a guy who is taking on a responsibility and is not getting paid for it.

BRANDIS: Well I have a somewhat different view and can I make these two points Madonna. I don't think the fact that it is an unpaid position is the point. The fact is that it is a public appointment to do a particular job and I don't think there are many of your listeners who would think that if Mr Mathieson had not been the boyfriend of Julia Gillard he would have received this appointment.

Secondly, I wonder, on the basis of the fact that he was a hairdresser, what particular expertise he brings other than, you know, what you or I or anyone else who chats about these issues would bring to the issue of men's health.

EMERSON: He's not going to provide diagnoses, George.

KING: Well let's leave that one to our listeners this morning and you might have a view. If you do, let me know on 1300 222 612.

Now the acting Prime Minister, Julia Gillard, her partner's name is Tim Mathieson. He is a former barber and yesterday he was appointed, as Craig Emerson said, to an unpaid position as a men's health ambassador and is going to work around rural Victoria making men more aware of their health. You've heard George Brandis say that it is not a matter of whether it is paid or not but the fact that if he wasn't the partner of Julia Gillard would he really have that job, 1300 222 612.

Senator George Brandis, Craig Emerson, I've just got one issue to finish off with today. The Andrew Symonds issue, presumably you've been following that. One of the issues that's arisen is that celebrities go to pubs, they go out and the fans mob them. They want their autographs, they talk tactics and the celebrities want to be left alone. Now I wouldn't think that either of you are that popular, but when you go out....

EMERSON: You're right Madonna (laughter). I don't get mobbed all that often.

KING: I say that with the deepest respect. But how often do people come up and recognise you, give you a little bit of advice, applaud you or do you often cop abuse when you go out?

BRANDIS: Well, look, occasionally people come up and say something. It might be something nice or something unpleasant. I think that goes with the task of being a politician. But I do think a professional sportsman is a different

category because he's not elected. He's not responsible, in my opinion, to the general public in a way that politicians are and in his own private time I think that there are different issues. I think professional sportsmen are entitled in their own private time to be left alone.

KING: Yeah, I don't want to talk about him. When you are criticised publicly how do you respond to that? Do you say something back or just walk off? What do you do George Brandis?

BRANDIS: Well, I respond politely.

EMERSON: I respond with infinite patience. There is absolutely no value in arguing back or arguing the toss. I think that people have the right, and we are well paid and we are representatives, to come up and give you a bit of an earful or a bit of advice. Frankly, mostly in my area of Logan City, Madonna, they come up and say 'g'day Craig how are you going' and say one or two words and that's about it. Occasionally someone wants to share their wisdom with you and they are entitled to.

KING: It all depends on what those one or two words are I guess. Dr Craig Emerson, Senator George Brandis thank you.

BRANDIS: Thanks Madonna.

EMERSON: Okay, bye bye Madonna.

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