



**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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*Subjects: Parliament resumes, natural disasters, flood levy, oversight, Liberal donations*

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KIERAN GILBERT:

Good morning and welcome to *AM Agenda* for the first parliamentary day for 2011.

And before the stoush kicks off over the broadband network and the flood levy, today a bipartisan note to start the parliamentary year, with condolence motions in the wake of the natural disasters across Australia.

Joining me on the program this morning, on this first day of Parliament for the year, the Trade Minister, Craig Emerson, and the Shadow Environment Minister, Greg Hunt.

Gentlemen, good morning to you both.

CRAIG EMERSON:

Morning.

GREG HUNT: Good morning.

GILBERT: So, as I said, a pause in the fighting today to kick off with the only order of business: condolence motions..

EMERSON: Yeah.

GILBERT: Craig, for the natural disasters and also for the 22-year-old corporal, Richard Atkinson...

EMERSON: Yeah.

GILBERT: ...tragically who was killed in Afghanistan recently.

EMERSON: It's been a tough period for Australians, and our hearts go out to the families of Richard Atkinson, family and friends, and to all those who have been injured, killed indeed, in the natural disasters. And they're still unfolding in Western Australia, I think, with 64 houses lost. So it's been a really rough time for everybody.

But I think Australians have really pulled together. We've seen the contributions that have made, been made to the Flood Relief Program. And you're right, there will be a spirit of bipartisanship today that I think will actually extend through the week and beyond because in the end, Greg and I might be political rivals, but in the end we're Australians and hopefully humanitarians and we do feel very strongly and sadly about what's been happening in our country.

GILBERT: Yeah, it's an interesting way to start the year, Greg Hunt, isn't it, particularly off the back of last year and the tumult, and it's such a remarkable political year?

HUNT: Well look, you go back to Dorothea Mackellar over 100 years ago, a land of droughts and flooding rains, and these tragedies are part of the cycle of Australian history. And what we see, and I think, you know, the real heroes are the volunteers. You see the SES, the people who came out onto the streets of Brisbane. I saw it in the little towns of Skipton and Beaufort and Kooweerup in Victoria where people were out helping each other. That's what, that's what we do and that's the real sense and essence and spirit of the country at its best.

GILBERT: The National Broadband Network legislation will be the first introduced to Parliament tomorrow. Craig Emerson, then the levy...

EMERSON: Yeah.

GILBERT: ...the government's flood response. Still a lot of work to do to win over the cross-benchers. The Greens are unconvinced; they want a more long-term response. Wilkie wants a re-look at the cuts that are being made. The other Independents, Oakeshott and Windsor, aren't sold either, nor are Xenophon or Fielding.

EMERSON: Well, we're doing the right thing by Australia. We're certainly doing the right thing by Queenslanders. Two-thirds of the funding requirements for the repair and reconstruction have been found out of budget cuts and the deferral of some infrastructure spending, but then one-third is through this levy.

And we think it's the right thing to do. Julia Gillard is absolutely determined to fund fully that \$5.6 billion. We're doing that. We're talking with the Independents. We would have, I suppose, hoped that the Coalition would see some merit in it, but I suppose it's no

surprise that Tony Abbott, having been party to a government that put up six different levies, now says there are two types of levies; there are Liberal levies which are good levies and Labor levies which are bad levies.

GILBERT:

You're talking to the Independents. You've got a lot of talk to do. They're far from convinced at this point, it seems.

EMERSON:

Well, let's see how the week unfolds. But we're doing this in the national interest, and I know that the Coalition, Mr Abbott, two weeks ago said, 'look, there's so much spending going on in Australia, it will be very easy to find spending cuts'. Two weeks on, last night, there was a Shadow Cabinet meeting. I hear from reports that Mr Hunt was involved in the Shadow Cabinet meeting [indistinct]...

HUNT:

There was no meeting last night

EMERSON:

Well, the whole newspaper reports are completely wrong then.

HUNT:

We met yesterday, but there was no meeting last night.

EMERSON:

We've got, we've got a pedantic point here. There was a Shadow Cabinet meeting yesterday, and in fact they have come up with nothing because...

HUNT:

Were you there?

EMERSON:

...there was a big donnybrook going on within the Coalition...

GILBERT: Well, Tony Abbott, Greg...

EMERSON: ...because they can't find the cuts.

GILBERT: Tony Abbott says that they will be revealed later today. He said as much at church service this morning to start the parliamentary year. So we can expect a bit of detail today?

HUNT: Absolutely. Both of these issues are about avoidable waste, and that's the heart of it. We lived through the home insulation program, \$2.5 billion, which would have paid for the flood levy and then had more than \$600 million left over. The Green Loans, the Green Start waste, the Cash for Clunkers program which, until a week and a half ago, was a moral imperative to save the planet, suddenly the Government ditched it.

And our point is there is a huge amount of avoidable waste. We don't walk away from difficult decisions. That's what we do. We went through the Asian financial crisis, the tech wreck. We went through SARS; we went through September 11, and we made the changes to the budget which put Australia into a position so that we had surpluses rather than deficits. This is about delivering surpluses rather than deficits, about reducing the tax burden rather than increasing it, and you do it by eliminating avoidable waste.

There is a huge amount of avoidable waste. We've identified an enormous amount and we'll identify more today.

GILBERT: There was a stoush yesterday, wasn't there...?

EMERSON: Two weeks in the finding of it....

GILBERT:

...over the foreign aid. Julie Bishop did not want the foreign aid to Africa cut. Apparently you suggested to her in the Shadow Cabinet that it be deferred, the commitment to increase aid, to half a per cent of gross national product by 2015. You said 2017. She brushed that off as well.

So a few divisions within the Shadow Cabinet?

HUNT:

Let me make the point. Obviously neither of us are ever going to go into the inner workings of a cabinet, but the Cabinet and the Shadow Cabinet should be a process where people put forward different ideas and find the best ones. And we are about making difficult decisions to end avoidable waste because...

EMERSON:

[Laughs]

HUNT:

...the waste which... we were told it was a moral imperative that we had to have the home insulation program. They botched it and then they ditched it. It was a moral imperative to have the Green Loans expenditure, which turned out at \$200,000 per loan. It was a moral imperative to have Cash for Clunkers, and now they're saying it's a moral imperative to have the flood levy.

It's not a moral imperative. The spending, the recovery, the reconstruction, that is a moral imperative, and we will deliver that. But the additional waste which can be saved, that's our job; we make those decisions and that's why we're here.

EMERSON:

Well, the point is, if you say there's all this waste, Greg, there's all this waste, two weeks later you haven't been able to identify it. And while you're going through this

exercise, you'd better find \$11 billion because that's the shortfall identified by the Departments of Finance and Treasury, in the Coalition's, in Tony Abbott's spending commitments going into the last election. And he has kept hold of each and every one of those promises, including his levy to pay for the paid parental leave scheme.

So Tony Abbott says he's philosophically against levies but he's in favour of the six that were brought in by the Coalition and in favour of his own levy...

GILBERT:

Doesn't that undermine Tony Abbott to a degree the fact that that remains on the books,...that levy on big business, which would no doubt be passed onto the customers?

HUNT:

Actually, it's no additional cost, and that's very important. It's a pause in the rate of reduction in company tax for the largest companies. So there's not one additional dollar...

EMERSON:

So it's not a levy?

HUNT:

...it's a pause in the rate of reduction.

EMERSON:

[Laughs]

HUNT:

And that's a simple fact - that there's no additional dollar...

EMERSON:

We're back in the semantics. It's not a levy.

HUNT:

...which will be paid. And our approach...

EMERSON: Tony Abbott is applying a levy.

HUNT: ...no, no, no, no, Emmo. Our approach is very simple, that as an alternative government and as a government, we aim to reduce the burden on the economy. When you put together a mining tax and an electricity tax and all of these other taxes, you're going to see an additional tax take of almost \$24 billion. That's almost 10 per cent...

EMERSON: You're making it up as you go along.

HUNT: ...that's almost 10 per cent, when you put the mining tax, the electricity tax and others together [in the] growth in the size of the tax...

EMERSON: Let's get to the basic facts. Tax as a share of GDP is lower under this government than it ever was from 2002 to 2007 under the previous government of which Tony Abbott was a cabinet minister. They have the record...

HUNT: The problem is expenditure's massively higher.

EMERSON: ...they have the record, the gold medal performance on taxation as a share of GDP in 2002, 2003, '04, '05, '06 and '07.

GILBERT: Is that true?

HUNT: What you've seen is expenditure massively higher...

EMERSON: Answer the question.

HUNT: ...and they are introducing huge new taxes...

EMERSON: This is a politician not answering a question.

HUNT: ...no, no, no, huge new taxes to cover that expenditure gap. So what they've done is they've deferred tax and now we have an electricity tax which will be about \$12 billion a year...

EMERSON: We've deferred tax?

HUNT: ...and we have a mining tax of \$12 billion, \$24 billion of new taxes which will ultimately flow through.

EMERSON: [Laughs]

HUNT: And these are your own figures, these are the proposed figures.

GILBERT: Electricity tax, you mean the carbon price...?

HUNT: Absolutely.

EMERSON: This is putting the price on carbon that Greg Hunt wrote a Master's thesis about saying it's an imperative that a price should be put on carbon through an emissions trading scheme. But of course, Tony Abbott says...

HUNT: Actually, if you had have read the thesis, you're wrong.

EMERSON: ...climate change is 'absolute crap'. I think Greg is still true to his word privately; that is, he believes there should be a price on carbon, but Tony Abbott won't allow him to say it.

GILBERT: Well this is going to be a debate for another day - I suppose we can spend more time on it. But I should ask you, at least, a question on what Ross Garnaut said yesterday, that Australia's holding back the world. That Labor lost its backbone - he didn't use those words, I'm using those words - Labor lost its backbone on the ETS. Didn't push through with it and that you, Australia - the Australian Government - Canada and the US are holding back global moves on this.

EMERSON: There was a parliamentary obstacle to the emissions trading scheme. Once Tony Abbott knifed Malcolm Turnbull and became the leader, the Coalition changed its position on this very issue...

GILBERT: Labor was. . . Labor didn't lose their bottle?

EMERSON: ...on this very issue. That is, Malcolm Turnbull said 'yes, Labor's right, there should be a price on carbon, there should be an emissions trading scheme', and he lost the leadership over it to Tony Abbott, who believed climate change is 'absolute crap' and they then changed their position in the Senate. We didn't have the support of the Coalition. Surprise, surprise!

GILBERT: Well what do you make of Ross Garnaut's comments...?

HUNT: The first thing...

GILBERT: ...that Australia's holding back international...

HUNT: ...the first thing is...

GILBERT: ...development on it.

HUNT: Australia is one of only a half dozen developed world countries which has actually met its targets. Now, it did that under the Howard Government. We met our targets. And we are only one of a half dozen of the entire developed world to have done that. That's the only thing that the planet knows, is the volume of emissions and we're one of only six.

The second thing is we've got a very clear alternative which, as you look around Canada, the United States, Japan, even the way that the European system actually operates is the way the world is heading, of incentives for emissions reduction, rather than trying to tax electricity...

GILBERT: Okay.

HUNT: ...for pensioners and others [indistinct]...

EMERSON: [Interrupts] Greg, you're on the record - you're on the record time and time again supporting putting a price on carbon.

HUNT: No, no, I'm on the record for...

EMERSON: You've been crunched...

HUNT: ...using...

EMERSON: ...by your leader who believes...

HUNT: ...on the record for using...

EMERSON: ...climate change is 'absolute crap' and he will continue to do this year...

GILBERT: Okay, let's...

HUNT: [Indistinct]...

EMERSON: ...everything they can do to oppose everything that Labor puts up.

HUNT: ...on the record for using market mechanisms, and there are good and bad mechanisms and that's the difference...

EMERSON: Well what's an emissions trading scheme?

HUNT: The way you have designed it, so as we're the only country in the world to be driving up electricity prices in a dramatic way, is a bad mechanism.

GILBERT: Okay, let's move on.

HUNT: That's the point.

GILBERT: John Fahey reported to the inspectorate. We need to touch on that before we take a break. John Fahey, a Liberal, is this providing the government political inoculation, Craig Emerson, in the sense that you face so much criticism about the pink batts the b... and the spending of the stimulus, that this is about saying to the electorate, 'we're not going to waste your money'?

EMERSON: Well, it is a way of ensuring that taxpayers get value for money out of the disbursement of the proceeds, not only of the levy, but of the savings that we've achieved, \$5.6 million...

GILBERT: And they've had to go to a Liberal to do it?

EMERSON: Well I think Mr Fahey is probably reasonably experienced as being in the private sector and a former finance minister. It's not just Mr Fahey - it's Mr Orgill and others who are involved in this - will ensure that these programs are delivered efficiently and that there is value for money.

GILBERT: It's about political inoculation though isn't it?

EMERSON: It's about ensuring that people get value for money and we're very happy to do that Kieran.

But while we're talking about value for money (shows photo) this is a photograph of a Liberal turning up to a ceremony for building the education revolution. In my electorate, or just on the edge of my electorate, during the holiday break. Now these are the Liberals who here, in Canberra, right there, come to condemn the Building the Education Revolution as a waste of money. But in their electorates the Member for Ford turned out to the opening ceremony saying it's a great program. And this is the hypocrisy.

Now if Mr Abbott had any guts, any strength of character at all, he would instruct his MPs not to go to opening ceremonies of Building the Education...

HUNT: All right.

EMERSON: ...Revolution program.

GILBERT: Yeah, I'll let Greg Hunt respond, because I suppose that you would say that not every project was a dud.

HUNT: Look...

GILBERT: But also I want to get your thoughts on John Fahey...

HUNT: Absolutely...

GILBERT: ...at the...on this inspectorate. You've been calling for more scrutiny and different over-watch of spending, so what's wrong with this? And one of your former colleagues?

HUNT: The fundamental point here is that there is a terrible deep systemic issue of waste. They are beginning to recognise that they can't control it themselves so they do turn to a former Liberal finance minister. And John Fahey's a good person and he'll do a good job. But he isn't overseeing all of the government's programs. That's why you want a Liberal in charge of the nation's finances, because whether it's home insulation, green loans, building the education revolution, school halls, or any of the other programs, there is huge amount , a huge amount of waste.

Green Precincts fund, we discovered over the summer, \$8,000 per ton of CO2 was what we discovered to be paying out.

GILBERT: But what about the idea of, of a...

EMERSON: Two weeks you've been trying to find this waste.

GILBERT: ...of this inspectorate, you - I...

HUNT: Sorry, we identified Cash for Clunkers [indistinct] today.

GILBERT: But how do you not think that that is a good idea, having...

HUNT: We're not opposed to the appointment of John Fahey. We're just saying he's a good man who will do a good job and the more Liberals who are overseeing the nation's finances the better. But the real point here is there is a fundamental problem that, in a moment of crisis, they use that crisis as an excuse for wasteful expenditure and then they introduce taxes to [indistinct]...

EMERSON: What wasteful expenditure is the excuse?

HUNT: So let me run...

EMERSON: Yeah.

HUNT: Cash for Clunkers. Two weeks ago you said...

EMERSON: No, no. You - you said we're...

HUNT: ...it was a moral imperative.

EMERSON: ...we're using the crisis...

GILBERT: Okay. We've had a chat about...

EMERSON: ...as an excuse for wasteful expenditure. What wasteful expenditure has occurred in reconstructing Australia after the floods...?

GILBERT: Let's move on. I want to ask you about Joe Hockey. Joe Hockey, yesterday distanced himself from Mr Abbott's comments....

EMERSON: The levy is not a wasteful expenditure....

GILBERT: Craig, please. There was an email soliciting funds...

HUNT: Thank you.

GILBERT: ...during the crisis. That was seen as inappropriate by Joe Hockey. He said as much yesterday. He said it was an error of judgement. Tony Abbott has not said anything of the sort. What do you make of that? There's certainly a difference of opinion there and Joe Hockey seems to publicly contradict his leader.

HUNT: I think that what you'll find is that on the 2 February Julia Gillard put out a piece on the Labor website about the floods and right next to that was an appeal for donations to the Labor Party, so both parties have conducted themselves...

EMERSON: An appeal for donations to...

HUNT: ...in exactly the same way.

EMERSON: ...victims of the floods.

GILBERT: But Joe Hockey was...

HUNT: Both - no, no, no...

EMERSON: There was a difference.

HUNT: ...there was a click-through...

GILBERT: I'll come to this in a moment, but just tell me...

HUNT: ...for Labor Party donations.

GILBERT: Joe Hockey has said something, Greg Hunt...

HUNT: Labor party donations.

GILBERT: ...that your leader has not said.

HUNT: I'm not going to get into blame on this and my point is that each party has conducted themselves in exactly the same way. Exactly the same way.

EMERSON: Not true, it's not true.

GILBERT: Craig Emerson?

EMERSON: We appealed - we appealed for donations for flood victims. The problem is the Coalition, Mr Abbot, can't tell the difference between an appeal for donations for flood victims and an appeal for donations for the Liberal Party. Now he has had numerous opportunities to say this, and it would have discharged the whole issue. Look, I didn't put the PS at the bottom. I still take responsibility for it. I'm sorry. Move on.

And I was on Sky on Thursday night with John Hewson and we were discussing this, so Thursday, Friday, Saturday, Sunday, Monday and even on Tuesday and it's only because he didn't want to publicly disagree with Joe Hockey, the Shadow Treasurer, that he said grudgingly I don't want to disagree with Mr Hockey. Not

that I'm sorry, not that it shouldn't have happened, but I don't want to have a split in the Coalition, at the top levels, between himself and Joe Hockey.

HUNT: Okay. There is something which is incorrect here. The cached material from the 2 February shows that there was an appeal for Labor Party donations on the Labor Party website next to Julia Gillard.

EMERSON: It was an appeal for victims of the flood levy.

HUNT: So you were wrong, false, incorrect...

GILBERT: All right gentlemen, if we pause...

HUNT: ...and I apologise for correcting you like that on national television, but...

EMERSON: You're just wrong about it. You know it was an appeal for flood victims.

GILBERT: We're going - we're going to come back. We've got to pay some bills.

Time for a quick break. We'll be right back with *AM Agenda*. Stay with us.

[Advertisement break]

GILBERT: Welcome back to *AM Agenda* on the first parliamentary sitting day for 2011. With me here, the Trade Minister Craig Emerson, the Shadow Environment Minister, Greg Hunt.

Trade Minister, I want to ask you about the comments of Wayne Swan to the Australian newspaper suggesting that the floods and the cyclone might - the impact of that might see the first quarter of next year actually, in the economy, contract.

Joe Hockey says, this morning on the doors of parliament, that Mr Swan is unnecessarily talking the economy down.

EMERSON:

Oh, Mr Hockey should have a look at the devastation in Queensland and invite him to come back up, or come back up again. There's certainly been an impact on our coal exports, on agricultural exports and Queensland's not alone. There's also flooding in Greg's home state of Victoria. So there's certainly a negative impact there.

On the other hand, there's a big and wide pipeline of investment in the mining sector and mining-related industries, so that's a plus. Consumer spending is reasonably flat. Imagine what it would be if we'd absolutely withdrawn the stimulus when Tony Abbott and the Coalition demanded that we do. It is being phased down. So there will be swings and roundabouts and we'll see how it turns out.

I mean this quarter's is not even actually finished...

GILBERT:

Sure.

EMERSON:

...it finishes at the end of March.

GILBERT:

Well it is a substantial whack on the bottom line isn't it, through agriculture, through the mining sector?

HUNT:

There have been real impacts, there's no question about that. But the real source of growth in Australia has been business investment, so you have these major minerals programs, you have investment around the country, and the greatest threat to that is the looming mining tax. Overseas, people have talked about it as a sovereign risk, that suddenly the rules of the game have changed in Australia. That causes investment to be paused. It causes investment to be reconsidered and that flows through to jobs, it flows through to growth, it flows through to the health of the national economy.

And that's why whenever you bring in a random large new tax, it has an impact on growth. And so it's the worst possible time to be doing two things. Firstly, to be introducing a mining tax. Secondly, the flood levy is another example of something which will, as others have talked about today - including major retailers such as Myers - have an impact on consumer spending.

And there's a myth here. It's not paid weekly. People pay tax once a year and so they'll pay a lump of tax, once a year, and they're concerned about that. So there is a myth that it's paid weekly. It's not. We all pay tax once a year.

GILBERT:

Yes, Craig?

EMERSON:

Look, the levy is about a dollar week for someone on \$50,000 plus. Yes, it's progressive, so people on \$250,000 a year pay more. But what a contradiction we've just heard from Greg and the Liberal Party, saying, 'well the mining tax will have a devastating impact on mineral investment', and just concedes very readily the point that I made and that is that there is a

long and wide pipeline of mineral investment coming through.

Now if the mining tax was such a deterrent, you'd think that there would be a halt, or at least a slowing down of investment in the mining sector. Quite the opposite is the truth and Greg has just conceded, and he's right, there is a pipeline of investment in mining and that, itself, may lead to that it contributes to positive economic growth. But there are downsides related to the impact of the natural disasters that are still going on in Australia.

HUNT: Most of these programs were set in place before the start of May last year when the mining tax was announced. What we've seen since is reconsideration of some and what we've seen since, as well...

EMERSON: There is no evidence of that.

HUNT: ...is new projects - well there have been multiple discussions around...

EMERSON: Yeah, discussions, but no evidence of it.

HUNT: ...around the country, that new projects are at risk and that is fundamentally important to growth.

EMERSON: Completely and totally incorrect.

GILBERT: All right, Greg Hunt, Craig Emerson. Sorry gents, we're going to have to wrap it up there. Appreciate...

EMERSON: Righty-oh. Thanks.

GILBERT:

Good to see you both.

That's all for this edition of *AM Agenda*. Join us again.