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KING: It's a quarter past nine. I'm Madonna King, thanks for your company. Peter Dutton's in search of a seat, the NRL are trying to lasso John Howard into running the NRL and how long until our interest rates start to climb again? Your weekly stoush as we go Inside Canberra now with Dr Craig Emerson Minister in the Rudd Government, good morning Doctor.

EMERSON: Hello Madonna.

KING: And Opposition Attorney-General spokesman George Brandis, Senator good morning to you too.

BRANDIS: Good morning Madonna, good morning Craig.

EMERSON: G'day George.

KING: So let's start somewhere and let's make that Peter Dutton. Senator Brandis why are you so coy in addressing this? He's a person you think one day might be a Liberal Prime Minister. Why aren't you and supporters of him out there fighting to keep him in Parliament?

BRANDIS: Well I don't think I've ever been called coy on this issue or on any issue. I made my view very plain and I said it on an interview I did on one of your rival networks on Monday, that I agree with Malcolm Turnbull that whatever can be done to secure Peter Dutton's political future ought to be done.

KING: But that's not really a big push is it?

BRANDIS: I'm not the decision maker here. I'm not a member of the LNP Executive which has the power to make this decision but I like Ian McFarlane, Steve Ciobo, like all of Peter's frontbench colleagues, value him highly all of us were supportive of his bid for pre-selection in McPherson all of us were

disappointed that he didn't win and all of us are of the view that whatever can be done to find him a seat in the House of Representatives ought to be done.

KING: Is it over or are there things that could still be done?

BRANDIS: Well, I don't honestly know the answer to that question, there are so many permutations, combinations, contingencies, you don't know whether there might be retirements, you just don't know what might happen between now and the end of next year.

KING: Would you like to see one of your colleagues step aside and provide him with a seat?

BRANDIS: I'm not going to be drawn, this is a complex matter and I'm not going to be drawn into the detail of it.

EMERSON: Now you are being coy.

BRANDIS: No, I'm not being coy because to be frank Craig I don't know what the perfect solution is. I don't have a perfect solution and nobody does have a perfect solution which is why I'm simply saying whatever can be done needs to be done because I think Craig looking at this from the other side of politics you would agree with me that Peter Dutton is one of the strongest performers on either side in the House of Representatives.

KING: So answer me this though, how much of this is about the candidate Peter Dutton and how much of it is about internal issues? Callers phoned in the other day about the Liberal and National Party and how one MP just campaigning under the Liberal sign and then that MP phoned in and said if he had an LNP sign I would. Some members are saying, look they were voted in as a National Party member and that's what constituents know them as and they want to go to the next election on. How big of an issue is this Liberal and National or LNP?

BRANDIS: I think that's a false distinction because the LNP which is by the way not the name of the party that's an acronym that's used for the sake of brevity. The name of the party is *The Liberal National Party of Queensland* and it is under its Constitution the Queensland division of the Liberal Party of Australia so to say it is LNP or Liberal is a false antiseptis. It's a bit like saying are you a Queenslanders or are you Australian – it's both.

KING: So you would run and campaign as a member of the LNP on your ...?

BRANDIS: I don't make these decisions, these decisions are made by the people who run the campaigns and run the advertising and I'm not one of those people. But the point I make to you, I really wish the media would stop playing games about a difference that doesn't exist. The LNP and the Liberal Party are the same thing because the LNP by its Constitution is the Queensland division of the Liberal Party.

KING: Craig Emerson?

EMERSON: I'm more confused than ever. Look the problem is, yes Peter does have a contribution to make. It was the Liberal Party who briefed the media Peter was done over by the National Party in his bid for McPherson and his options are running out. The seat of Wright, the two incumbents in Fisher and Fairfax, Alex Somlyay and Peter Slipper are not going anywhere. Peter's not staying in Dickson and if he did he'd be rightly accused of wanting to get out of the place so really what it does show there's a lot of animosity, rivalry and hatred within and between these parties that make up the LNP.

KING: You look surprised. Your party's no different?

EMERSON: I think we manage these things reasonably well but the point is the Australian people watch this spectacle, this fiasco and must be saying if they can't govern themselves how can they expect to govern the country?

KING: Peter Dutton, you are on the opposing side in Parliament, how good of a performer would you rate him?

EMERSON: Look I would say he's a reasonably good performer. I am a little surprised that he's a future leader the messiah syndrome but he's 39 years of age, if he does manage to find a way of staying in Parliament.

KING: Are you saying that's pretty young?

EMERSON: Yes, there's a lot in front of him and he could develop further.

KING: All right I posed those questions to George Brandis. To you Dr Emerson you'd be fairly disappointed rates went up yesterday, I see small businesses are saying the Reserve Bank doesn't understand the plight of small to medium enterprises. Does your Government?

EMERSON: No one wants to see rates going up but they have been at emergency levels, not my terminology. The Governor of the Reserve Bank has been using that consistently, the lowest interest rates in 50 years Madonna, so even now with this quarter of a percentage rate increase the stance of monetary policy is still very expansionary.

KING: Do you expect them to continue to climb?

EMERSON: Well it's fraught when politicians making predictions but if they are at emergency levels and as the global economy recovers and it's recovering much more slowly than the Australian economy then the global cost of capital will go up and we've been up front about that. We haven't been saying you know we'll keep interest rates at record lows to see them go up 10 times. We're saying with recovery comes a return to more normal interest rates over time. We don't know what that timing is. T. Bat's determined by the Governor of the Reserve Bank.

KING: But perhaps an electoral problem with you if you are going into the next election

EMERSON: As I say nobody likes to see interest rates go up but the Governor of the Reserve Bank has talked about normalising interest rates and this is what the talk is around the world. But as I say one of the reasons for the rise in interest rates is that we as an economy did not go into recession. Every other developed country world did.

KING: Any basis for the banks to increase the variable rates by more than a quarter of a percentage point?

EMERSON: I wouldn't think so, and we would be very disappointed if they did increase interest rates by more than that quarter of a percentage point increase in the cash rate.

KING: I know it's not your portfolio but the Government consistently says that we'd be disappointed; we're frustrated with the banks doing this. We don't quite understand why the banks do this. Isn't there a bigger stick that the Government can use?

EMERSON: Theoretically the bigger stick is the re-regulation of the banks, the creation of a national bank; this is what got the Americans into trouble with their Fanny May and Freddy Mac. That's exactly what they did. We had somewhere around 11 state banks and insurance companies in 1990 and now we have none. That was one of the reasons that we've been able to withstand this financial crisis because those sorts of institutions overseas didn't make good decisions in relation to risks and returns and got themselves into a lot of trouble and many private banks are now nationalised. Well we've gone the other way and that's one of the reasons we've not got ourselves into the same mess.

KING: George Brandis most economists are now saying you can expect another increase. T. Where were do you think the economy is at?

BRANDIS: Well I think the economy, let me tell you where I think the economy is at and can I preface what I'm going to say by reminding your listeners two great tools of economic policy – fiscal policy and monetary policy are in the hands of two different agencies. Fiscal policy the amount of money that the Government puts into the economy is in the hands of the Treasurer and the Government and monetary policy which is the price that is put on money through the interest rates is in hands of the Reserve Bank and the problem we have in Australia at the moment is that you've got the Reserve Bank through interest rates starting to tap the brakes and you've got the Government through fiscal policy and spending with it's foot still on the accelerator that's the problem. So you've got one of the Institutions saying we've got to slow down that's the Reserve Bank which is independent to politics and the other institution the Government for nakedly political reasons putting its foot on the accelerator so you have completely inconsistency between the two.

KING: So what's the consequence of that?

BRANDIS: The consequence of that is because the Government is continuing with an expansionary policy the Reserve Bank has had to enter into the market and increase interest rates sooner otherwise that it would have had to have done and interest rates will have to go up higher than they otherwise would have needed to have done because the Government continues to over stimulate the economy beyond a time which the Reserve Bank has decided it is necessary to do so.

EMERSON: The Reserve Bank Governor has refuted everything that George has just said. Both fiscal and monetary policy are stimulatory at the moment. They are working hand in glove together so George, you had better listen to the Governor of the Reserve Bank.

BRANDIS: If you are referring to the Governor's testament at a Senate inquiry recently that is not what he said and the fact that interest rates went up yesterday speaks for itself.

KING: Did you expect them to go up again Senator Brandis?

BRANDIS: Yes I do.

KING: Do you think we are going spiral up? Or 'yes you do', what do you base that on?

BRANDIS: Well I do because plainly these things move in cycles and very seldom does the cycle merely take one step usually they take several steps over a period of time.

KING: All right I want to leave that there. Senator George Brandis also Dr Craig Emerson as we go Inside Canberra another couple of issues I want to get to and one of them is Senator Brandis my listeners were asking yesterday what is happening with the Emissions Trading Scheme?

BRANDIS: Well, that's really a matter for the Government to answer that.

KING: On your side.

BRANDIS: Well I'm about to go down to a Shadow Cabinet meeting in Melbourne this afternoon when Shadow spokesman Ian MacFarlane is going to bring skeleton amendments to the Shadow Cabinet for consideration. As you would be aware Madonna, Malcolm Turnbull yesterday called a special party meeting for Sunday week, the day before Parliament resumes and the reason he did that is usually we have our party meetings on Tuesday mornings and they only last for two or three hours, that's all the time the sitting program of Parliament allows for. The reason Malcolm has decided to have a special party meeting on a Sunday afternoon is so the party room can look at this matter and discuss it without any limitation of time.

KING: And Craig Emerson is Labor thinking Malcolm Turnbull will be the leader in a year's time?

EMERSON: We don't know and obviously that's up to the Liberal Party.

KING: But this must be a booster on your side.

EMERSON: We're just getting on the business of the Government ...

KING: You're not really; you're all talking about it.

EMERSON: No, that's not right. Yesterday I had a press conference about Elizabeth Blackburn's achievements. We think this is a great country. We've got the honour of governing the country and that's what we are trying to do in the national interest. But do you remember just last week you were the referee in fact when George and I were talking about amendments to the Emissions Trading Scheme coming before Copenhagen. George said that's what we are going to do, you said good we've settled that let's move on now. It appears that's not what they're going to do. They're going to filibuster quite possibly so that would be very damaging to Australia's national interest and the business community.

KING: Well we'll wait and see what happens with the Coalition but also as a result of the number of requests I've had next week we are trying to get someone on opposed to the Emissions Trading Scheme someone on who is in support of it and both people knowledgeable enough to answer your questions because there are several people opposed to it and several people who support it and lot of people who are in the middle you don't quite understand it, so we will try and do that next week here on 612 ABC Brisbane. George Brandis is John Howard the right person to take over the NRL? He's passionate about it, he got great negotiation skills.

BRANDIS: Look I think he would be tremendous at it this actually. Funnily enough I spoke to John Howard on Monday he rang me from the United States where he's been visiting the Bush's. Can I say about John Howard his love of all things sporting is famous. What is not as quite well known, but I've seen myself over many years is that he is a superb chairman. As a politician Craig and I would have been to thousands and thousands of meetings and how well a meeting is conducted is largely a matter of how skilful the chairman is. I've never seen a better chairman of a meeting than John Howard so for both reasons I think he'd be great.

KING: How would he go in that video with Tina Turner?

Laughter.

EMERSON: I don't think he's got her dancing ability.

KING: I've never seen either of you two laugh like that. Craig Emerson, John Howard would he get your vote?

EMERSON: For one reason, I'd have grave reservations. He's a one-eyed St George supporter But apart from that if the NRL thinks he's right for the job ,that's a matter for the NRL.

KING: And there'd be a lot of Broncos supporters who would support you on that.

EMERSON: They've got the Broncos coach now they are trying to get the former Prime Minister.

KING: Quickly to our dilemma of the day before I let you both go. It relates to this ex prisoner of war thing. The Brisbane man who's falsely received more than \$400,000 in war service pension and he admits he's made up his whole background. His name is Arthur Rex Crane he's fooled authorities and his family into believing he fought the Japanese in Malaya as a 15-year-old in 1942, imprisoned in Singapore and survived the notorious Thailand Burma Railway, he never saw war service he's the ex POW Association of Australia President, he's now under investigation now his family say they are devastated, step-granddaughter won't call him grandad again she says. He hasn't been charged but he admits to making it up but he's 83. Colleagues say while he may have done this he's spent years and years fighting for pensions for others, Craig Emerson how much sympathy do you show in a case like that, what do you do?

EMERSON: As a human being I suppose I'm meant to be angry but actually I'm sad. I think it is sad that this man has done a lot for the veterans' community. My dad was a Prisoner of War in an Italian then a German POW camp so obviously there is a lot of emotion associated with this dilemma which is I think the segment you describe this as and it's a real dilemma, because no one likes to see people operating under false pretences but isn't it sad about his granddaughter and everything, it's my overwhelming feeling about this.

KING: George Brandis any disagreement there?

BRANDIS: No, I agree with that, obviously the man did the wrong thing but there are two mitigating factors. One is that he's admitted to it, freely admitted to it I understand and secondly as Craig says he has given enormous service on behalf of this cause for many years of his life. I was quite moved when I saw an old gentleman who was described by his best friend who said well you know he's still my mate I've forgiven him. I think it's one of the things about Australians you forgive your friends even if they do the wrong thing.

KING: I wonder if it's wider than that, I wonder if Australians in part are picking up what you and Craig Emerson said are forgiving this situation, I mean Craig you used those words he's not so much angry about it you are sad about it and I've spoken to people who are angry and says he's done the

wrong thing by all those people who saw war but then you see these people who say he's 83 look he actually used falsehoods to make life better for other people. I guess that's why it's a dilemma. Senator George Brandis thank you.

BRANDIS: Thank you.

KING: Dr Craig Emerson talk to you next week.

EMERSON: Okay Madonna, bye bye George.

BRANDIS: Bye Craig.

KING: And that's Inside Canberra for this week, we'll be back at the same time next week. Do you agree with our politicians this morning on the 83 year old Arthur Rex Crane who claimed to be an ex Prisoner of War or do you see it more hard line? If it's substantiated its fraud then its fraud how do you see it 1300 222 612 is my number news headlines now with Kieran Binney.

Ends