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Interview by Kieran Gilbert

Subjects: Award wages, GDP Growth, China, Bradfield by-election.

GILBERT: Joining me to discuss this and the other matters of the day on *AM Agenda* the Small Business Minister Craig Emerson and the Shadow Small Business Minister Steve Ciobo. Gentlemen good morning to you both.

EMERSON: G'day Kieran.

CIOBO: G'day Kieran how are you?

GILBERT: Very well thanks. Craig Emerson I want to ask you first of all to explain what the Prime Minister was on about there. The Industrial Relations Commission says one, it's clear that some award conditions will increase therefore leading to cost increases, secondly others will decrease leading to potential disadvantage for employees yet the Prime Minister says the overall process will not disadvantage employers or employees. Can you explain this to us please?

EMERSON: Yes I can. I do want to put by way of preamble that this is a major economic reform, collapsing several thousand awards down to about one hundred awards – a reform that's been called for by the business community for more than a decade now and we're doing it. Now the driving principles have been that workers would not be worse off and that businesses would not face cost increases. We're working on that through the transitional arrangements that were announced just yesterday by the industrial relations Fair Work Australia and we welcome those transitional arrangements. For workers it means that if they were going from a higher penalty rate to a lower penalty rate which, inevitably in some situations they would, then overall we're seeking to ensure that they would not be worse off. We have a ruling yesterday called take-home pay orders such that if someone was worse off or appearing to be after taking account other pay rises they could apply for a take-home pay order to ensure that they weren't worse of. And again in relation to businesses any increases in rates would be phased in over five

years when other things are already happening so we remain committed to those objectives of workers not being worse off and over the transition period employers not facing increased costs.

GILBERT: So you're talking about objectives and principles and the Deputy Prime Minister talks about aims. There's no guarantee though is there?

EMERSON: Well and devices ...

GILBERT: From what you've said there's no guarantee ...

EMERSON: Well I just did talk about take-home pay orders such that if, let's say someone was going from a casual loading of 33 per cent to 25 per cent. Now in many states it's 25 per cent in some situations. In some of these many many awards are 33 per cent. Now that would be phased in over a five year period but if a worker found that he or she would be worse off as a result of that and that may not be likely because of that phase in over five years when other pay increases come through such as minimum wage pay increases, but let's just say for the sake of argument that a worker found him or herself in that situation, that worker could apply for a take-home pay order to ensure that that particular worker was not worse off. So it's not just principles and objectives it's actually a device there that has been identified yesterday by Fair Work Australia that would give effect to that.

GILBERT: Okay for about the worker, what about the employer because you're also talking about not disadvantaging some employers but by the sounds of it they will be. It might be over a longer period but still, they're going to have to pay more?

EMERSON: Well a lot of things happen over a five-year period and the transition for wage increases, if there are any, starts on 1 July. So that's been moved from 1 January, when some people expected it might apply, to 1 July next year and then phased in over five years. The rest of the economy and the rest of the pay system Kieran does not remain unchanged over five years. You know that and I know that so the way it would work over that transition period is to avoid increases in cost for business wherever that was feasible. Now of course if someone was going from a particular penalty rate to a higher penalty rate we do have in the meantime increases in the minimum wage, we do have in the meantime a situation where many employers make above award payments and they can be adjusted so that, you know, any effects on their costs wash through over that five-year transition period.

GILBERT: But just in terms of the overall complexity of this, you referred to it in your first answer, 4000 awards down to just over 100 or so. How can the Government maintain, is it just for political expedience that you're claiming that no one's going to be worse off because you're suggesting that the employee's not going to be worse off, you're compressing all of these into a less number of awards. How can no one be paying for this?

EMERSON: Because of the five-year transition period Kieran. As I said to you a moment ago over five years there will be other increases in wages and other increases in costs that other employers otherwise would bear. So we will ensure that this occurs over five years in a smooth and predictable way. That's the whole point of it and it is a massive reform. The Coalition argued for award modernisation for a long time when it was in government, found it too hard, but ideologically preferred anyway to say let's simplify it by removing the award safety net completely. Now that's Work Choices and we're not going back to Work Choices. We believe in a safety net. We believe in a modern award system which is good for business by collapsing it from several thousand to a hundred: a big micro-economic reform, a big reform overall, a complex task but one that is being accomplished.

GILBERT: Steve Ciobo that's right the Howard Government never did pursue this sort of reform. That criticism is right isn't it?

CIOBO: Well Kieran I think that Rudd-speak seems to be infecting the entire frontbench for this Labor Government. Let's be clear about what's taking place here. We've got a situation where the Labor Party says that they're so-called engaging in award modernisation process. Now they have been out there and the Deputy Prime Minister made the comment that no employer and no employee would be worse off. Now that's fine. The Government can make that commitment but what matters is how it delivers on that commitment and the Opposition sought to enshrine in the legislation that commitment - to actually put a provision in that said no employer and no employee would be worse off. Just simply trying to hold the Government to account. Now the Labor Party stood opposed to us doing that, they prevented that amendment from going in because they know that at the end of the day Kieran they cannot possibly deliver on this promise. So this fallacious argument, that in some way because it's now being spread over five years, the Government's going to ensure that there's not pain is simply false. The reality is, what they're actually saying is, we're going to spread the pain over five years instead of getting one big hit right up front. That's the only difference that the Government's now got. We've got industries, it started with the restauranteurs who have now had a carve out. We've got horticulturists that have now got a carve out but we also know lining up around the corner are the pharmacists, the newsagents, retailers, all of them are saying this is going to cost tens of thousands of jobs and they're looking for special protection in the same way that the restauranteurs got. So the Government has lost control of this process.

GILBERT: But at the end of the day it will be a reformed and more streamlined process easier to deal with?

CIOBO: Well sure that is the case but how many jobs are going to be lost in the process Kieran? I mean this is the great fallacy of this argument from the Labor Party they simply refuse to accept that at the very worst possible time they are now going to be imposing additional costs on some two million small businesses out there and those that engage employers on an awards basis will have to pay more. Labor is forcing them to pay more. It couldn't come at a

worse time. It's going to erode small business profitability and it's going to cost jobs.

EMERSON: Now you know Kieran that the new system, any changes to pay starts from 1 July next year. Steve says 'oh no'. It's giving the impression that it's going to happen now or it's going to happen at Christmas. The first of July over five years and because of the other pay rises that would go on in the economy anyway the Fair Work Australia has come up with a system to smooth out those pay increases where they do occur and remember if you've got something like several thousand awards some will be higher, some will be lower and picking something around the middle so that we have a single national awards system instead of all these state and enterprise based awards is a major reform, a reform that has been shirked by the previous government and the previous government in the end said look the best way of dealing with this is not to have it at all. And that's what they did; they tore away the safety net. The Coalition was, is and always will be the party of Work Choices. They don't believe in a modern award system. They believe in no safety net at all - that's Work Choices.

GILBERT: Okay, Steve Ciobo a quick response before we move on to a couple of other issues.

CIOBO: You know Kieran I think the Australian public is sick of hearing the Labor Party trying to breathe life back into Work Choices.

EMERSON: You've done a pretty good job yourself.

CIOBO: The reality is that Work Choices is dead. It's been dead for a number of years now. It's just ridiculous. The only people that run around the country constantly trying to bring around this bogey man of Work Choices is the Labor Party. Let's deal with what we're actually facing now Kieran. The reality is that take one industry. I'll talk about the pharmacy sector. Now under Labor's grand plan there are different penalty rates that apply across pharmacies in different states. Now in Victoria for example most pharmacies are not open on a Sunday because they have such high penalty rates and pharmacists simply cannot make any money in their pharmacies as a result of those penalty rates. That is going to be the new reality in a place like Queensland when, under this Government's modern award scheme, we're going to see massive increase in penalty rates so if you happen to be a Queenslanders you can say goodbye to a pharmacy being open on a Sunday.

GILBERT: All right I want to look at the growth rate, the GDP growth rate figure out yesterday, the economy continuing to grow, the only advanced economy to record solid growth over the last year the Opposition leader Malcolm Turnbull was on *Radio National* talking to Fran Kelly just a short while ago responding to these figures.

TURNBULL: *The factors that stimulated the economy were the monetary policy, the fact that we went into this downturn with a very strong balance sheet courtesy of the previous Coalition Government. That's something that's*

not acknowledged. We had no big bank failures or indeed small bank failures you know our financial system remains strong that was due to the very solid financial and prudential regulation again put in place by the Coalition Government a very marked contrast to that and the United States and of course the big factor, the big stimulus that's worked for us is in fact the Chinese Government stimulus.

GILBERT: Malcolm Turnbull there on *Radio National*. Steve Ciobo how can the Opposition not give any credit to the stimulus when you look at the June quarter figures consumption, household consumption was up 0.8 per cent. It contributed an enormous amount to the positive number?

CIOBO: Well I don't think anyone in the Coalition is trying to say that the stimulus didn't make some impact. That's never been the Coalition's argument. We've always said Australia needed to have a stimulus. What we've said though is that the Government's stimulus was too much and was poorly directed. So it's very important. Labor tries to paint us as saying no stimulus, no stimulus, we've never said that. What we've said is too much and poorly directed. Now we're seeing examples of that right now Kieran. We've seen a \$1.6 million blow out in Labor's Building the Education Revolution. We're seeing much worthier projects now being shelved and scrapped so that the Labor Party can continue to be out there building school halls in primary schools, non productive investment so on a whole raft of areas we're seeing money badly spent and frankly given that the downturn has not been nearly as severe as most people were predicting it's now time to start winding back this stimulus otherwise this Government is going to keep Australia in debt for decades and it's also going to ensure that we all have to pay more tax and we have higher interest rates in the future.

GILBERT: Craig Emerson the Government's not considering a wind back. The question is why not if the economy is proving so resilient. Rather you seem to be suggesting the Government got the original stimulus figure right to the exact dollar from the outset?

EMERSON: What we are saying Kieran is that the stimulus was very significant in keeping the economy growing – as you mentioned, the only developed country in the world whose economy has avoided recession. Treasury estimates suggest that we would definitely be in recession if it were not for the stimulus, a point that Malcolm Turnbull failed to acknowledge but I accept that Steve Ciobo just did, acknowledge that there was a role and there is a role for the economic stimulus. What we don't agree with now having the Coalition, the Coalition having voted against the stimulus package it's now saying pull it out. Now to pull out the support from under the Australian economy now might be an interesting social experiment for the Coalition to conduct. We won't do that. Because we know that small business, we know that working Australians depend on those supports remaining in place through the economic stimulus package. The Coalition has never liked the stimulus package, voted against it and now wants it withdrawn. There's a very clear difference for people, for viewers to this program between the Coalition policy on stimulus and ours. We remain committed to economic stimulus because it

has delivered for Australia together with the resurgence of China, together with the Reserve Bank cutting interest rates from 7.25 per cent down to 3 per cent that is also an important stimulus. But very importantly Kieran together with the enterprise of our businesses small and large, in navigating their way in partnership with the Government through the global economic recession.

GILBERT: Okay, well let's just pause for a moment. We'll take a break on *AM Agenda*. Stay with us though.

BREAK

GILBERT: Welcome back to *AM Agenda*. In the wake of recent tensions with China the former Prime Minister John Howard has had some friendly advice for Beijing.

HOWARD: *I think you have to be very pragmatic with the Chinese. You've got to understand that they can be very clumsy diplomatically. They've got this silly habit of if they don't want you to see somebody they say so which means that you must see them. You know, because it's just ridiculous. They've done that with the Dali Lama and I think that the way they carried on about that lady with the visa I mean of course we had to give that lady a visa I mean heavens above, you don't allow Chinese, you don't allow any government, whether it's China or Britain or America to tell us who we should give visa's too.*

GILBERT: The former Prime Minister John Howard last night. Steve Ciobo in the wake of the diplomatic tensions is it appropriate for the former PM to be saying that they're clumsy, diplomatically silly in some of their actions?

CIOBO: Well look he was providing comments, but what this goes to Kieran of course Australia's relationship with China. The former Coalition Government over a number of years successfully fostered relations with China and did so to great effect for Australia. We achieved some fantastic sales to China in terms of our natural resources.

GILBERT: But this isn't going to go down well in China. Steve this won't go down too well in China they're already fairly tense in terms of Australia and our Government's approach. The former PM saying that's not going to help is it?

CIOBO: You've hit the nail on the head Kieran. I mean we've seen the Australia-Chinese relationship sour significantly in the past 12 months. Look I think John Howard is entitled to have a viewpoint, to share that viewpoint. He doesn't certainly speak on behalf of the Government. He's a former leader, not the current leader, and any comments that he make I think will be viewed in that context. But importantly and as you yourself expressed the problem that we've got now though is that our relationship with China has been very significantly affected because this Government has so poorly mismanaged its relation. I mean Kevin Rudd was held as the great Mandarin speaking saviour of Australia when it comes to China but instead what we've actually got is a Government that has completely botched our relationship with China and is

causing great problems on a regular basis and what we need to have is a little bit of intensive therapy to get Australia and China's relationship back on track.

GILBERT: Craig Emerson what did you make of the comments from the former PM describing China as clumsy diplomatically, that its tactics on certain occasions are silly?

EMERSON: I'll leave that to the former PM Mr Howard. It's a free country. That's one of the great values that we've always aspired to and achieved here in this country, freedom of speech. Steve says the relationship's botched. We've just signed a \$50 billion gas deal, the biggest export deal I think in Australia's history with the Chinese. If that's botched Steve well you know, I'd hate to see success. Obviously the relationship with China is very important to Australia. Malcolm Turnbull you just showed a tape of him earlier this morning saying well it's the economic resurgence of China that's been so important to Australia's economic fortunes and to an extent he's right about that. So I don't think you can have it both ways and say oh it's all botched, Steve, but look how important China has been to us. They are important, they'll remain important in the future.

GILBERT: Craig something else Malcolm Turnbull was saying this morning in relation to the Bradfield by-election urging people to lodge a protest vote against the state Labor Party and vote Liberal in Bradfield. And reports today in the *Herald* Craig as well, that senior Labor strategists are worried about the impact of the NSW crisis on the Federal Government given the Federal election comes well before the NSW election. Can you tell me, I mean are you worried that problems in NSW could spill over into a protest vote against Labor federally?

EMERSON: Well it sounds to me like they're scratching around for a reason to vote Liberal in Bradfield so they must be pretty worried and say we don't have a reason for you to vote positively for us, lodge a protest vote against the NSW state government. I think they'd be far better off, if they did have any policies, putting those forward but what it does reveal is that there's a policy vacuum. Indeed policy in the Coalition is being developed the Member for Menzies Kevin Andrews, the architect of Work Choices, on the backbench.

GILBERT: But what about the protest vote? Tell me are you concerned about that?

EMERSON: In terms of that issue look, we know that people can make a very clear distinction between who they're voting for, whether it's a Federal or a state issue or a local council issue. That's been the history of Australian politics. We would argue that Labor is doing the right thing by the economy in Canberra and I'm sure that in the fullness of time when an election is called we will be seeking the support of the Australian people to continue with the program that we put to them and we're well on the way to implementing through to the next election. And I can tell you this, I can tell you this. We will be campaigning on the positive policies of the Labor Party rather than

scratching around as the Liberals are trying to find one reason to vote Liberal in Bradfield.

GILBERT: Steve you've got 20 seconds, what's your response, 20 seconds.

CIOBO: Well I think that people will choose what motivates them to vote in any particular way but I'd leave this fundamental message to every voter in Bradfield and that is they can send a message to Kevin Rudd that hundreds of billions of dollars of debt and deficit which will be the legacy of the Rudd Labor Government will not be good for Australia's future and it's the very last thing that they should be endorsing.

GILBERT: Steve Ciobo and Craig Emerson as always good to have you on the program this morning.

CIOBO: Thanks.

EMERSON: Righto thanks Kieran.

Ends