

# LATELINE.

## Emerson and Abbott discuss budget week

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Reporter: Virginia Trioli

**Craig Emerson, Federal Minister for Small Business, and Tony Abbott, Shadow minister for Family and Community Services discuss the Rudd Government's first budget with Virginia Trioli.**

### Transcript

VIRGINIA TRIOLI, PRESENTER: Well, in his Budget reply speech this week, Opposition Leader Brendan Nelson positioned the Coalition as the party of cheap alcohol and cheap petrol, but his critics say it's just cheap populist politics.

The only thing he didn't promise to do was join today's angry protest against the Budget by pensioners in Melbourne and like them, strip to his underpants in solidarity. But then Wayne Swan's first Budget isn't without its critics either.

The solar industry today is running red hot about the Government's decision to means test the rebate for solar panels, saying it's bad for the environment and lousy for business.

So joining me to discuss all this in a big week of politics are the Minister for Small Business Craig Emerson, he joins us from Canberra and with me in the Sydney studio is the Shadow Minister for Family and Community Services, Tony Abbott. Gentlemen, welcome to you both.

TONY ABBOTT, SHADOW MINISTER FOR FAMILY AND COMMUNITY SERVICES: Nice to be here, Virginia.

CRAIG EMERSON, MINISTER FOR SMALL BUSINESS: And good to be back.

VIRGINIA TRIOLI: Nice to have you both back on board. Tony Abbott, the new Senate arrives in July, you don't really have much leverage here do you, in planning to block key elements of the Government's Budget. How far are you prepared to take this?

TONY ABBOTT: Well, Brendan announced last night that certainly the new tax measures, particularly the alco-pops measure and the Medicare surcharge measure we are going to block. We won't block the Budget as such, but my understanding is that they are separate pieces of legislation. We intend to try to block them.

VIRGINIA TRIOLI: And how crippling will that be for the Budget that Kevin Rudd has masterminded and would like to see handed down, Craig Emerson?

CRAIG EMERSON: It would put a big hole in it. The estimates that we have of the decisions that were announced by Brendan Nelson last night would be that over four years it would put a \$9 billion hole. If we added in the other statements and undertakings by a range of shadow ministers, it goes up to \$22 billion. And, as the days go by, we find more and more contradictions and more confusion as to, in fact, what the Coalition's position is, what they'll block, what they won't block, what they would do if they were to win

government in terms of increasing the base pension. Margaret May the Shadow Minister for Ageing today is saying that all Coalition members are supporting a petition to increase the base rate of pension. We know that - and fully accept that pensioners are under enormous pressure at the moment, but then, which is the Coalition policy on this? Margaret May's, Brendan Nelson's, Malcolm Turnbull's? Tony Abbott'll probably have a view. I'd be very interested in it.

VIRGINIA TRIOLI: Malcolm Turnbull has said today that that's not the Opposition's position. But it does, yet again, put you in a rather messy place with contradictory views all over the shop?

TONY ABBOTT: Look, Kevin Rudd was saying just a couple of months ago that the baby bonus was absolutely safe. Kevin Rudd never told us about his means tests on the solar panels, on the child care benefit. He broke an election promise over the Family Tax Benefit Part B - the old dependent spouse rebate. So, Labor has spoken with very forked tongue, if I may say so, Virginia, over the past few months. I'm sure Craig has been consistent. He has consistently spoken out for absolute economic rigour. He would be very disappointed that the Government didn't go ahead with its plans to scrap the pensioners' and the carers' bonus but Kevin Rudd certainly has been all over the place here.

VIRGINIA TRIOLI: Hang on a minute. Just before we get to the details of some of those and we've just trailed through a number of policies that we should dig into for a moment. I just want to take us back briefly to that initial point. So, Craig Emerson, you're saying that if the Opposition does block those, at least those two key elements, it blows a big hole then ...

CRAIG EMERSON: Yeah, \$9 billion in the Budget projection period.

VIRGINIA TRIOLI: \$9 billion. OK, so, if you don't want to fight through and wait until after the new Senate comes in, you've got to deal, do you?

CRAIG EMERSON: Well, we'll see what happens. As I say, I just don't know what happens one day to another. Tony had said just a few days before the Budget ...

VIRGINIA TRIOLI: Would be prepared to deal with the Opposition and talk to them about this?

CRAIG EMERSON: Well, let's just see what their position is. I mean, we need to get the Budget through. The Senate will change on 1 July.

VIRGINIA TRIOLI: Yes.

CRAIG EMERSON: We may find a slightly more well disposed Senate. Certainly, Labor will not control the Senate after 1 July, so we'll need to be dealing with senators, and that's as it should be. But it'll just be very interesting as the days and weeks unfold, because we really don't know what the Coalition's position is on a number of these matters. Tony just 10 days ago or less - just before the Budget - was saying that he's completely opposed to means testing of the Family Tax Benefit Part B and of the baby bonus. I don't know if that's Coalition policy. It may well be in the next couple of days.

VIRGINIA TRIOLI: Alright, well, Tony Abbott?

TONY ABBOTT: It was Labor policy at the election not to means test the baby bonus. Certainly, they never told us before the election that they were gonna means test it and Kevin Rudd was saying just a couple of months ago that it was absolutely safe. So ...

CRAIG EMERSON: And the baby bonus is in place. It's just that we don't believe that it should be payable

to people who clearly are less needy than others. And the reason we do that - not through any joy or pleasure - but we inherited an inflation rate at 16 year highs, 12 interest rate rises since 2002. We've got people other than Tony, such as Malcolm Turnbull and Brendan Nelson describing inflation as a fairytale and a charade. We're actually being attacked - let's understand this. We're being attacked from the left by the Coalition, who believe that we should be spending more and that we should have smaller surpluses. They have ignored those warnings of the Reserve Bank. They've ignored the fact that interest rates have gone up 12 times in a row.

VIRGINIA TRIOLI: Craig Emerson, let me just jump in here. This is important, because it is a rather contradictory and, you might argue, unsustainable position that the Opposition's maintaining at the moment. The criticism - the suspicion that the cuts were going to be too deep before the Government announced the Budget. Then the cuts aren't deep enough. I mean, what is the position? It seems to be all over the place?

TONY ABBOTT: We probably made the mistake of believing Wayne Swan and Kevin Rudd when they said that this would be a very tough Budget.

VIRGINIA TRIOLI: Oh no, but it's about what you believe actually needs to happen.

CRAIG EMERSON: Hold on, you're saying it's too tough now. And you want to wind back a whole range of measures.

TONY ABBOTT: Can I please have my piece, Craig?

VIRGINIA TRIOLI: Yes, do let Tony Abbot speak.

TONY ABBOTT: The basic point, if I may make this, Virginia, is that we have always been a low taxing Party. We have always been a low taxing Party. To the best of my recollection, there were no tax increases whatsoever in the life of the Coalition Government and it's interesting ...

VIRGINIA TRIOLI: Unless you include the GST?

CRAIG EMERSON: Well, that's actually not right. Yeah, there was a rather large monster. There's a rather large monster called a GST.

TONY ABBOTT: Craig is very unhappy. OK. Yes, which you guys now support. But Craig was very unhappy about the blocking of the alco-pops tax, because it's gonna leave a hole in the revenue. I thought this was supposed to be a health measure. What Craig has done is revealed that this is really about tax. It's about revenue. It's not about health. It's not about binge drinking.

CRAIG EMERSON: Of course an alco-pops tax will collect some revenue, of course it will. But it'll also reduce the numbers of bottles of alco-pops consumed by an estimated 43 million - that's the Treasury estimate. That's a lot of alco-pops, Tony.

VIRGINIA TRIOLI: Oh, Craig Emerson, the alco-pops policy is again, you might argue, like some of the positions being taken by the Opposition at the moment, all over the place, because the contradictions in the policy have been well made in Parliament and I'm not going to repeat the brand names tonight about the alcoholic drinks you can buy that probably contain more alcohol and yet aren't covered by this tax. It really is just a naked tax grab?

CRAIG EMERSON: There was a large loophole created in the tax regime for alco-pops by the Coalition. We

are closing the loophole. We have always said that it will reduce the consumption of alco-pops compared with the consumption that otherwise would have occurred.

VIRGINIA TRIOLI: Is this the most sophisticated anti-binge drinking policy you can come up with? Is this as sophisticated as it gets?

CRAIG EMERSON: It is a component of an anti-binge drinking policy and it also is part of achieving a Budget outcome that involves that involves that war on inflation that I talked about earlier. Tony says this is a high taxing Government. This Government's brought down a Budget that dramatically reduces tax as a share of the economy and then the Government says - the Coalition says it's a high spending Budget. Again, we are dramatically reducing spending as a share of the Budget and creating, building a very substantial surplus. I well remember Peter Costello as Treasurer saying, "Oh, we've got these surpluses that Labor never built." Well, that was untrue historically. We had surpluses before. He used to boast about surpluses and now the Coalition are saying, "Well, we don't want big surpluses, we want small surpluses which will be inflationary, which would drive up interest rates", and the people who are rightly concerned about some of the measures we're taking will suffer from higher cost of living and higher interest rates.

VIRGINIA TRIOLI: Tony Abbott, where were the savings then in what was announced last night, though, by the Opposition Leader Brendan Nelson? It was all about tax foregone and money handed over.

TONY ABBOTT: Sure.

VIRGINIA TRIOLI: So where's the bottom line there?

TONY ABBOTT: Well, he didn't give that last night, although he said that the Coalition would find savings in Government to sustain the tax cut on petrol for instance.

VIRGINIA TRIOLI: Pretty vague.

TONY ABBOTT: Look, we're in Opposition. We don't have access to the kind of Treasury advice which the Government has. But what Brendan did do last night was make this point: that if the Government was serious about bringing petrol prices down they would do the one thing that Government can do to bring that about, namely cut the petrol excise. I mean, otherwise it's - they're just crocodile tears that Kevin Rudd is crying over petrol prices.

VIRGINIA TRIOLI: Ah, but come on - for how long, I mean realistically, for how long will the consumer enjoy the effect of that five cents a litre excise cut in a time of peak oil and when prices are just rocketing? I mean, that will last for a nanosecond, won't it?

TONY ABBOTT: OK, but the fact of the matter is, it does expose the hypocrisy of Labor's position.

VIRGINIA TRIOLI: Is that what it's about, exposing Labor's hypocrisy or actually giving value to the consumer?

TONY ABBOTT: Well, if you're fair dinkum - if you are fair dinkum about reducing petrol prices and you're a Government, the one thing you can do is to reduce the tax and that's what we've promised to do. And the fact that Labor won't do that because it will blow a hole in their revenue, make their surplus a little bit smaller than it would otherwise be ...

CRAIG EMERSON: (inaudible).

TONY ABBOTT: ... shows, shows, shows that it's really a charade, this stuff that they go with about, "Aren't petrol prices terrible?"

CRAIG EMERSON: We'll that's what - that's how you describe inflation: as a charade. And a fairytale.

TONY ABBOTT: No, we didn't, and I didn't.

VIRGINIA TRIOLI: Craig Emerson?

CRAIG EMERSON: Now Tony, Tony, your lot - the Coalition - were in Government 20 weeks ago, just 20 weeks ago and were in Government for the best part of 12 years and at no stage did you reduce fuel excise.

TONY ABBOTT: That's not true, Craig.

CRAIG EMERSON: If you thought it was a great idea to actually cut fuel excise, why haven't you - why didn't you do that? You're now in Opposition. You can take the opportunistic...

TONY ABBOTT: Can I please have two second here?

VIRGINIA TRIOLI: Yep.

CRAIG EMERSON: You can take the opportunistic position.

VIRGINIA TRIOLI: Craig Emerson, I'm going to let Tony Abbott jump in here, just because we're getting some long answers and some shorter ones. Go on.

TONY ABBOTT: Back in 2001, we ended the indexation of the excise and if indexation was still in place, petrol excise would be 17 cents a litre more than is otherwise the case. So we have a good record here of excise cutting in Government as well as in Opposition.

CRAIG EMERSON: You didn't cut it. In 2001 it was 38 cents a litre. It's 38 cents a litre now. My point is you didn't cut it.

TONY ABBOTT: And it went from 55 cents.

VIRGINIA TRIOLI: Alright.

CRAIG EMERSON: 20 weeks into Opposition and you say, "What a good idea, we'll take five cents off the petrol excise." Well, why didn't you do that in Government? And on the spending ...

VIRGINIA TRIOLI: Craig Emerson, I've got a question for you, though.

CRAIG EMERSON: Sure.

VIRGINIA TRIOLI: Just moving on from this petrol matter and also from a bit of history. When it comes to the means testing that you've put in place now for those who would like to have put solar panels on their house, how is a Government that wants to claim for itself some green credentials, how does a Government actually get away with then with making that argument that you're trying as best you can to push alternative energy right across the country, when the thick layer of the middle class in Australia, the

one lot of people that could really afford to do it are now being actively discouraged from doing it. And as Small Business Minister, I guess you're about to put out of business a whole lot of small businesses, aren't you?

CRAIG EMERSON: No, I don't accept that. The Government has announced \$650 million in green energy grants. That is a huge extra injection and that doesn't include another \$500 million in clean coal technology. Now, the point of that means testing ...

VIRGINIA TRIOLI: Which your critics say is a bit of a myth anyway?

CRAIG EMERSON: Well, OK, well you can have your opinion on that. There is \$650 million in green energy grants. For people above \$100,000, it's quite possible that they would make those decisions anyway. Certainly they could afford in many cases, in most cases, to switch over to solar energy. So, we're directing the resources to where they will be most effective, but it still comes back to the point that in a Budget like this, we need to make some hard decisions, we need to prune spending and the Coalition simply does not agree with the need to prune Government spending. That's why Treasury in a recent paper described the Coalition spending leading up to the last election over about four or five years of basically Whitlamesque proportions. You might recall that John Howard - Peter Costello described John Howard when he offered to Howard, to John Howard ...

TONY ABBOTT: Do we have a timer going here yet?

CRAIG EMERSON: ... a range of spending options he said, "Well, John Howard took the entree, the main menu, the dessert and the vegetarian option. It's just a case of fiscal gluttony.

VIRGINIA TRIOLI: I just, very briefly, just to wrap up this part of the discussion: it does seem, really, from sitting in the bleachers gentlemen, this is really, really small stuff at a time when Australia is booming, when we've got a great sack of our money sitting in the coffers. We're talking about alco-pops and five cents a litre excise. Where's the big vision from either of your parties, Tony Abbott?

TONY ABBOTT: Well, this is a very good question. We've just had a change of government. The first Budget of a new Government is their chance to say this is what we want to do with our country. And, I think what we've seen from the new Government is that they don't really know what they want to do and the very best we can expect from Kevin Rudd and his team is the kind of stuff that we've had from Bob Carr and Morris Iemma over the years in NSW.

VIRGINIA TRIOLI: Just a very brief response from you please Craig Emerson?

CRAIG EMERSON: A well funded education revolution, investing in infrastructure, nation building, highly visionary, forward looking, making sure that we do everything we can to get inflation under control, take the pressure off interest rates, but build this nation's future through education infrastructure. \$630,000 skilled training places to deal with the neglect and the sloth, frankly ...

VIRGINIA TRIOLI: OK.

CRAIG EMERSON: ... of the previous Government that just sailed on the back of the mining boom.

VIRGINIA TRIOLI: While I have you two with me in the studio, just on another subject altogether and something preoccupying a lot of people around the world: the growing international discussion now about whether the western community needs to, and has a responsibility to intervene in some direct way in Burma when the regime there is clearly neglecting its own population in the recovery following the

disaster there. Can you see an argument for Australia and other western countries doing something like that, Tony Abbott?

TONY ABBOTT: Look, if the situation in Burma is dire enough, I think that there is a humanitarian obligation to take pretty strong action. But, people have got to ..

VIRGINIA TRIOLI: Some sort of intervention?

TONY ABBOTT: Well, people have got to understand, though, that anything that one country seeks to do individually or collectively, forcefully in another country, I mean that is an invasion. That would be construed as an act of war.

VIRGINIA TRIOLI: And we've done that before.

TONY ABBOTT: Now, I don't rule out those things. I think that if the circumstances are extreme enough, regime change is appropriate. Forcible intervention is appropriate, but people have got to understand just what a dire step this is that they are thinking about.

VIRGINIA TRIOLI: Craig Emerson, just briefly if you can.

CRAIG EMERSON: It's an appallingly callous regime. What's going on there is allowing so many hundreds of thousands of people to suffer and die. I think it's a massive step to even begin talking about forced intervention. Robert Hill, our ambassador to the United Nations, just today has said that that would not be a viable option, but I can just repeat what Kevin Rudd and others are saying: this is a disgusting situation and we would want the United Nations to do everything in its power to ensure that we get relief to those poor desperate people. It's just appalling.

VIRGINIA TRIOLI: It's a sombre note to finish on, but thanks so much for joining us tonight, gentlemen. Thankyou.

TONY ABBOTT: Thanks, Virginia. Thanks, Craig.

CRAIG EMERSON: Thanks a lot. Yeah, see ya, Tony.

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