



HON CRAIG EMERSON MP

MINISTER FOR SMALL BUSINESS, INDEPENDENT CONTRACTORS AND
THE SERVICE ECONOMY
MINISTER ASSISTING THE MINISTER FOR FINANCE ON
DEREGULATION

SKY AM AGENDA

KIERAN GILBERT AND CHRIS PEARCE MP

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SUBJECTS: Economic security strategy and Opposition reaction, US
Presidential election, executive remuneration.

GILBERT: Welcome to AM Agenda. Our panel this morning, the Minister for Small Business, Craig Emerson, and the Shadow Minister for Superannuation, Chris Pearce. Gentlemen thanks for your time.

PEARCE: Good morning.

EMERSON: Good to be here.

GILBERT: First to you Craig. The Government yesterday criticised the Coalition for, on the one hand, supporting this \$10.4 billion package but then questioning elements of it. Isn't the Opposition just doing its job in trying to have some scrutiny of more than \$10 billion worth of taxpayers' money?

EMERSON: No I don't accept that because Malcolm Turnbull needn't have said at the outset that he was giving it bipartisan support and wouldn't quibble but then went on to spend most of Question Time and most of yesterday not only quibbling but criticising the package. So it's all right to have, you know, to plump one way or the other, to say well we don't support it or we've grave reservations or, on the other hand, we do support it and we don't have reservations. They both support it and have grave reservations.

GILBERT: But are they really criticising it to say give us the revised projections for employment and for inflation? Isn't that just a responsible course of action?

EMERSON: A lot of the criticism yesterday was in fact about the First Home Owners Scheme and asking questions about, will this just be appropriated, this extra money by property developers. Some Coalition MPs saying that the housing market is soft and then the Housing Shadow Minister saying no, it's very hard and the property developers will just appropriate it. This sort of thing, it's more fundamental than just saying well, what are the figures behind

it. It's real criticism of the First Home Owners Scheme. Now they can't have it both ways. The market can't be soft and firm. So everywhere you look, the Coalition is on the one hand and on the other in relation to this.

GILBERT: Chris, there were some mixed messages from the Coalition yesterday. You had Scott Morrison saying the housing market is strong and Malcolm Turnbull saying it's softening. You had Barnaby Joyce saying that one-off payments are the wrong way to go. It's difficult for Turnbull isn't it, to try and get everyone on the same page?

PEARCE: Well Kieran, I agree with your proposition. All the Opposition did yesterday was its job. Our job is to scrutinise and question the Government. We support this package. We have made that abundantly clear. Malcolm Turnbull has said that on national broadcasts for days. All we did yesterday was ask the Government a very simple set of questions. We said, Kevin Rudd, if you are genuine about levelling with the Australian people, why won't you share with us the underlying assumptions and forecasts that you have used to construct this package. We think that's an entirely reasonable and simple question and I, for our part, we're staggered as to why Kevin Rudd and Wayne Swan won't level with the Australian people and won't share those forecasts. That's all we're asking.

GILBERT: Yeah but you did have the issue of Barnaby Joyce saying that people, these one off payments could end up against the wall. There will be Chinese products across the floor. He was basically mocking the way that this money would be spent. It's not a good look is it?

PEARCE: Well in my experience people like pensioners, Kieran, are some of the best budgeters in Australia. Pensioners know how to manage their funds well. I believe pensioners will manage their money in the best way that suits them and is in their long term interests.

GILBERT: Is the Coalition, though, trying to give itself a bit of insurance by saying that we support it, but if it goes belly-up we told you we'd do it differently? Because Julie Bishop again overnight has said if we were in Government we would be doing things differently. First of all, what would you be doing?

PEARCE: Well what Julie Bishop said overnight is that if we were in Government we may have looked at other alternatives. I think that's an entirely unremarkable thing. Of course we're a different set of people. Different experience. Julie Bishop indicated that we may have considered tax cuts. The inflationary expectations of this package are something that should be of a concern and so tax cuts traditionally may, over the longer term, not put the pressures on inflation. So we may have looked at things like that but the key message is that we support this package. We have supported the Government in a bipartisan way. Malcolm Turnbull has asked the Prime Minister to sit down at the table with him and work in bipartisan way. Kevin Rudd has refused to do that.

GILBERT: It's interesting that he refused to do that because, Craig Emerson, the Prime Minister was always on the phone, it seemed, to Brendan Nelson. Always wanted him around for a cup of tea. Always offering bipartisanship. Is he not doing it this time because he's threatened by Turnbull - because he hasn't even replied to his letters?

EMERSON: Malcolm Turnbull is not genuinely offering bipartisan support. If he were he would have passed the legislation in the Senate that got the Budget through the Senate. So he has been taking an each-way bet all the way through. Your point is right. He's been taking out insurance. Another way of looking at it, I guess, is that Malcolm Turnbull's the only bloke I know who would back both horses in a two horse race. He'd back them both each way so that afterwards he could say I picked the winner, I picked the winner! Now he's got to go one way or the other.

GILBERT: But he's picked a few winners though hasn't he? He's pre-empted you on a few things. He pre-empted the Government's move to guarantee deposits. He pre-empted your move to put more liquidity into the mortgage market for non-bank lenders.

EMERSON: We were working on these things with the regulators. We didn't get up one morning and say, hey Malcolm's got a good idea. The Government had already been working on those things.

GILBERT: But it shows he's across the brief doesn't it? He's on the mark.

EMERSON: Kieran, this is him last night in this farcical address to the nation where he said, with the benefit of hindsight, governments should have acted far earlier. Just less than three weeks ago he said: "These are very uncharted waters. There is nobody that would have predicted these events a year ago or even a few months ago". The each-way bet in a two-horse race.

GILBERT: Is it a bit rich for Malcolm Turnbull to be saying this to our Government when no other government in the world picked it?

PEARCE: Well what Malcolm Turnbull said last night was that Wayne Swan, in particular, should not have been egging on the Reserve Bank at the beginning of the year about inflation. If you remember, it was Wayne Swan that travelled the breadth of Australia saying that the inflation genie was out of the bottle. The Government clearly did not see the signals at the beginning of the year. Wayne Swan would have us believe, and Kevin Rudd would have us believe that the whole world changed last weekend whilst he was in Washington DC. Peter Costello, the Member for Higgins, has been saying for months and months that there was a financial tsunami coming our way. So what Malcolm Turnbull said last night was that the Government should have seen the signals. I agree with that, you know, the Reserve Bank acted in haste at the beginning of the year. It acted in response to the Government's egging up of inflation.

EMERSON: That is so absurd and a deep insult to the Governor of the Reserve Bank and to the Reserve Bank Board. They make their decisions based on objective evidence and their best possible judgements. They do not take instructions or leads from anyone in the political arena. What Wayne Swan was saying is correct. Why did the Reserve Bank feel compelled to increase interest rates ten times under the previous Government? Answer, because of rising inflation and capacity constraints that also contributed to higher inflation. That's why they did it. Their hands were forced. They did it on the basis of objective evidence and it is quite insulting to the Governor of the Reserve Bank for the Coalition, and Chris is just the latest Coalition Member, to say that they then responded to Wayne Swan who was simply telling the truth that inflation has been a problem. Malcolm Turnbull has described it as a fairytale. Again, an each-way bet.

GILBERT: Is it tricky for the Coalition to be critical of the RBA? I mean everyone says they're independent and should be allowed to make their decisions. We've all got faith in the RBA according to both sides of politics and yet recently Joe Hockey, yourself, others have been critical of the RBA.

PEARCE: Well Kieran, the facts substantiate our position. Every action that the RBA took at the start of the year has subsequently been reversed. They've unwound those interest rate rises so what Craig is saying is not...

GILBERT: But things have changed dramatically though haven't they?

PEARCE: Well that's the whole point that...

EMERSON: With the benefit of hindsight

PEARCE:Malcolm Turnbull was making last night.

EMERSON: Which is what Malcolm said last night.

PEARCE: The signs were there and the Government did not see them. So, of course the RBA is independent but when the Treasurer of Australia says every day that the inflation genie is out of the bottle, how do you think the markets and institutions like the RBA will respond?

GILBERT: All right, gentlemen stay with us. We'll continue our debate and discussion on the financial crisis shortly. We're going to cross to the United States after this very short break.

BREAK

GILBERT: And now back to our panel here in Canberra. Craig Emerson the Minister for Small Business and the Shadow Minister for Superannuation, Chris Pearce. Gentlemen, before we get back to our debate on the financial crisis, Craig what do you think of this final Presidential debate. It looks like it is Obama's campaign to lose doesn't it.

EMERSON: He could probably be fairly risk averse and, who knows, a lot can still happen. We will work with whoever is elected but I think the resolution of the Presidential race in a little while's time will actually help a bit in terms of settling the global financial markets because it's just another very substantial element of uncertainty. So once that Presidential election is over, maybe that will help the whole crisis towards resolution.

GILBERT: And fill the vacuum because Bush a lame at the moment.

EMERSON: I think so and whoever wins, at least what they say, they'll be saying with authority and about the future.

GILBERT: It's been a fascinating race hasn't it Chris? And it looks like the Democratic candidate is, as I said to Craig, it's his to lose now.

PEARCE: It has been fascinating Kieran and I think, of course, the timing coinciding with the financial crisis across the globe is very interesting with this. This debate is, I think, important for both candidates. It's obviously important for John McCain, but as Craig said from Australia's viewpoint, we will go forward with whoever the American people select as our President.

GILBERT: Absolutely. Well okay, let's get back to the financial crisis now and the criticisms that the Government levelled against the Coalition yesterday for questioning elements of the package. Let's recap a bit of what the Government had to say in Question Time yesterday now for our viewers.

Footage from Question Time (16/10/08):

GILLARD: They talk out of one side of their mouth and say they support the package. They talk out the other side of their mouth and they oppose the package. Well you've got to make a decision. Are you for it or against it?

SWAN: They can't on the one hand say they support it and then on the other hand keep nit-picking around the edges Mr Speaker. You either support swift action or you don't.

TANNER: It is left once again, in mindless, random sniping, and I would suggest to you, Mr Speaker, that serves no-ones interests. Not even theirs.

GILBERT: Craig, should the Government take a more positive approach to this and say, okay Malcolm Turnbull, Julie Bishop, come around the table? We'll bring you in, we'll embrace you on this, and then they've got ownership as well, of the package. But at the moment you're basically pushing them away and saying no, we won't have a bar of you.

EMERSON: Well the Parliament is a good place for dialogue and debate and that's what's happening. We're just disappointed, and I won't go over all of that again, with the Coalition's reaction to it, this each-way bet that Malcolm Turnbull's insisting on making in the two-horse race. But going back to the

economic forecasts, they will be released in the mid-year economic forecasting outlook and the Government is bringing that forward. Typically, the former Treasurer, Peter Costello, released that up to very, very late in December. We are bringing it forward. It will be out within a month. They will be very considered forecasts; the official forecasts - forecasts upon which people can base some decisions. Now, to release forecasts, you know, every second day, I don't think would be constructive. We've done the most constructive thing and that is announced a \$10.4 billion fiscal stimulus, a very important initiative for business, and to give some more confidence to the markets, to consumers and therefore to business because the consumers will spend more and quite a lot of that will be spent very, very early.

GILBERT: If you're investing that much money, it's one per cent of the economy, as measured by GDP, shouldn't you have the figures there to say okay, this is what we're dealing with as you would make that announcement?

EMERSON: We had the substantial figures and things have moved on since the Budget. That is absolutely true. The International Monetary Fund had figures for Australia with a two in front of it. So the view is that we will, you know, get through this with slower growth, but we do need a fiscal package. We will produce official forecasts upon which people can at least make informed decisions. Having said that, of course, forecasts don't necessarily, absolutely come true but let's put some real quality into the process going forward. We've made our decisions based on the best advice from Treasury and the Department of Prime Minister and Cabinet, Finance, the Reserve Bank. Now I think that's a pretty fair way of operating.

GILBERT: Should the Opposition be patient? I mean it's going to be next month, this mid-year economic and fiscal outlook.

PEARCE: Well Kieran the Opposition's been patient all year with Kevin Rudd and the Government. But surely Kieran, you know, Craig says about putting some quality into the debate, surely the best way to put some quality would be for Kevin Rudd and his economic team to be around a table with Malcolm Turnbull and his economic team and to actually work together. On the one hand Kevin Rudd says this is a crisis and on the other hand he says that he doesn't want to talk to us about that and I can't understand it. I mean yesterday, at two o'clock every day we have a thing called Question Time. Yesterday we asked questions. That's the purpose of Question Time. But we get this complete indignation from Kevin Rudd and the entire Government that gives you the impression that we're not entitled to ask these questions.

EMERSON: Well there's no problem asking questions, it's just taking the each-way bet, saying we're for it, but we're against it if things go bad.

PEARCE: You said yourself a moment ago that you were disappointed in our approach for asking questions. That's our job. We want to ask questions. The Australian people have questions.

EMERSON: I've got to make a judgement. Most of the questions are silly because they are contradicting positions about whether the housing market is strong or weak, you're basically taking a bet on the housing being...

PEARCE: I don't think the questions that Australians have are silly. I don't think they're silly.

EMERSON: I agree, I agree, Australians have lots of questions ...

PEARCE: As Kieran has said this is one per cent of GDP.

EMERSON: ... I would just like to see some more sense from the Coalition questions.

GILBERT: Let's just have a look another element of it. I don't think we're going to resolve that element of this debate this morning.

EMERSON: It's not looking hopeful [laughs].

GILBERT: One thing that I want to get your views on, we're almost out of time, but the Prime Minister referred to extreme capitalism yesterday. How much is greed and that extreme capitalism, that he referred to, at the centre of all of this? Craig, first to you.

EMERSON: There's no doubt about it: in the United States, in the financial system, poor regulation and greed have cooked up, provided the key ingredients to this financial crisis. A lot of financial company executives have taken the money and run.

GILBERT: How you restrain that? How do you put a limit on those salaries? Those huge salaries?

EMERSON: Well Kevin is talking about the idea of increasing the capital requirements for financial institutions that set themselves up to take inordinate risks and then link the executive salaries to the benefits, the short-term benefits, of those risks with the long-term consequences being left for other people to pick up the pieces.

GILBERT: Does that sound like a fair idea?

PEARCE: Well this is a very important issue, Kieran, and the Prime Minister said yesterday that he may do something in this regard but I think it's very important to understand Kevin Rudd, on the one hand, can't say that here in Australia we're somewhat insulated, we have a stable, strong, robust financial system and then on the other hand say that he wants to intervene in that system. It's either strong and reliable or it's not. So I think we have to tread very cautiously. The Opposition, like all Australians, does not condone greed but in terms of intervening based on what's been happening in other parts of the world, we have to be very cautious but we have to do what's right by the Australian people.

GILBERT: Gentlemen, we're out of time, appreciate your thoughts this morning. Thanks very much.

EMERSON: Thanks very much.

PEARCE: Thank you.

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