

## MEET THE PRESS

29 SEPTEMBER 2013

### INTERVIEW WITH MATHIAS CORMANN

**KATHRYN ROBINSON, PRESENTER:** Senator Cormann, thank you for your time this morning. Can we begin with matters pertaining to the Budget? We were told on Friday to expect a deterioration in the Budget, but there was little detail involved with that announcement. When will we see the numbers and the detail?

**MATHIAS CORMANN:** Well, the Budget is in very bad shape. The Budget position that we've inherited, as we found out in the pre-election Economic and Fiscal Outlook in August, is \$30 billion in deficit. And yes, since the pre-election Economic and Fiscal Outlook, there has been some further deterioration. The point to make here is, in 2007, Labor inherited a very strong Budget position – a \$20 billion surplus, no Government net debt, \$50 billion worth of cash in the bank. And of course, the Government in 2007 was collecting more than \$1 billion in net interest payments, on the back of a positive net asset position. And when you fast forward now to 2013, the position that we've inherited is a position of a \$30 billion deficit, and growing, \$200 billion worth of Government net debt, and growing, a gross debt heading for \$300 billion and beyond, and of course, the Government is forced to pay about \$10 billion in net interest payments, to service the debt that was accumulated over the last six years.

**KATHRYN ROBINSON:** So Senator, back to the question – when will we see your numbers in the MYEFO? Because there's much conjecture surrounding it, and will be handed down in January, when most of the press gallery's away, and Australians are on holidays, with their minds elsewhere.

**MATHIAS CORMANN:** Well, we haven't made a final decision on when the Mid-Year Economic and Fiscal Outlook would be released. We're currently taking advice, obviously, on the detail of the deteriorating Budget position, but also on including and properly and formally including all of the commitments that we've made in the lead-up to the election. Now, what I would just point out is that the Charter of Budget Honesty Act actually explicitly provides for the release of the Mid-Year Economic and Fiscal Outlook by the end of January. Now – and we've got to remember, there has been, of course, a formal update in terms of the Budget position in August, which showed that in the period from the Budget in May to the pre-election Economic and Fiscal Outlook in August, that the Budget position deteriorated by about \$3 billion a week. Now, we are working –

**JACKSON HEWETT:** But Senator, there's no change on the Government's forecast – Labor Government's forecast at the time. So what other big-ticket items would be in there?

**MATHIAS CORMANN:** Well, there was – in the period from May to August, there clearly was a massive change compared to the Labor Government's forecast, absolutely. Now –

**JACKSON HEWETT:** That's – the pre-election forecast is the same.

MATHIAS CORMANN: So what we, of course, did on Friday was release the final Budget outcome for the 2012-13 financial year. And what that shows is that instead of a \$1.5 billion surplus, as was promised at Budget time for the 2012-13 budget, we are – we have now got an \$18.8 billion deficit. And that is really – that has been the story under Labor. From Budget to Budget update, the position invariably, significantly, deteriorated. And of course, what we are now doing – calmly, methodically, and in a structured, professional way – is make the necessary decisions to start turning that around.

HUGH RIMINTON: Okay, so let's be clear on this – are we still in a Budget emergency?

MATHIAS CORMANN: We have inherited a Budget in very bad shape. And yes, I mean, a description of a Budget emergency is an absolutely accurate description. But of course, what we need to do is we need to make sure that we make the necessary decisions in a calm, methodical, and professional way. And we are currently considering all of the relevant advice from Treasury and Finance, and also, of course, making sure that all of the decisions that we've announced in the lead-up to the election about strengthening our economy, creating more jobs, and putting the Budget back onto a believable pathway back to surplus, that we are in a position to reflect those in our Budget update.

HUGH RIMINTON: Sure, I understand that. And if there's a Budget emergency, then presumably the primary task is to get the Budget back into the black as soon as you possibly can. So why is there more talk about stimulus, that we've heard this week?

MATHIAS CORMANN: Well firstly, we absolutely will put the Budget back into the black as soon as possible. And of course, the whole centre of our policy argument in the lead-up to the election was that we needed to do more than the previous Government was doing to strengthen our economy, and to create more jobs. I mean, clearly, what we –

HUGH RIMINTON: But in fact you made almost no difference – \$6 billion over the forward estimates – as they say, a rounding difference. And you're talking now about stimulus. Can you talk to us more about what you're going to do to stimulate the economy, to protect jobs and growth?

MATHIAS CORMANN: Well, we will stimulate the economy by implementing the policies that we announced during the election. We will scrap the carbon tax – which of course the Parliamentary Budget Office identified would create a growth dividend, in terms of additional revenue for Government, of \$1.1 billion, on the back of stronger economic growth as a result of scrapping the carbon tax. We'll be scrapping the mining tax. We'll be cutting red and green tape, to release savings for business to the tune of \$1 billion a year. And we'll also, of course, be investing in key productivity-enhancing infrastructure – infrastructure which will help us ease traffic congestion, but also help us grow our productivity, and as such, grow our economy more strongly. We've identified, in our pre-election costings, about 31 key projects, at a cost of about \$11.5 billion over the forward estimates. And we are –

JACKSON HEWETT: So it sounds as though you want to be an infrastructure Government. Will you issue infrastructure bonds, then?

MATHIAS CORMANN: Well, I mean, obviously, we are currently going through all of those processes, considering all of the relevant advice. And we will be making all of these decisions in good time.

The point here is that we have clearly articulated, during the election campaign, which projects we would provide additional funding to, because we would accelerate their progress, or expand their scope. And that comes at a cost of about \$11.5 billion over the forward estimates – \$6.1 billion of which comes out of existing funds, in the nation-building program. And we are making an additional commitment of \$4.6 billion over the forward estimates, which was fully taken into account in our pre-election costings.

HUGH RIMINTON: Senator, people living in capital cities are abuzz with the way that housing prices are extremely active at the moment. Activity in the housing market is extremely active. A lot of this is investors, a lot of them taking advantage of various shelters and tax advantages for investors. And first-home buyers are not so active in the market. Is there any argument that you would consider – are you, indeed, considering any arguments, for any tweaking of the levers, to make it less attractive for investors in the housing market?

MATHIAS CORMANN: Look, I mean, our policy on the tax front has been very clear. The changes that we will be making to taxation laws is that we'll scrap the carbon tax, we'll scrap the mining tax, and we'll implement a 1.5% company tax cut.

HUGH RIMINTON: So to be absolutely clear, there is nothing in consideration that would affect any area of property investment, in a taxation framework?

MATHIAS CORMANN: We have no plans to make any changes to tax laws, to address the sorts of issues that you are fleshing out. And let me just say, we actually – I don't share, we don't share, the concerns that you've just articulated. We think that the market is well able to respond to any rises in house prices, and indeed, increases in the price of housing, of course, will help to stimulate construction activity, and other related activities in the economy, which will be a good thing.

JACKSON HEWETT: Senator, I want to ask you about the NBN. One of the big questions is opening up to competition – is that your plan?

MATHIAS CORMANN: Well look, I mean, the Minister responsible for this area, of course, is Malcolm Turnbull, who will continue to lay out exactly what it is that we're doing. Our plan in relation to the NBN is to deliver faster, better broadband services, more quickly, more affordably for taxpayers, and more affordably for consumers. And of course, we have already started implementing that plan. And Malcolm Turnbull will have more to say about it as we go along.

KATHRYN ROBINSON, PRESENTER: Mathias, if I can take you to the asylum seeker issue – over the last 48 hours we've seen another tragedy unfolding at sea. Scores are dead, many of them are children. On a personal front, how does that make you feel, when you see these lives lost at sea?

MATHIAS CORMANN: It is always tragic, and deeply distressing, when people lose their life at sea. Of course it is. And of course, you know, we have expressed our deepest sympathy to the families of those that were tragically lost.

KATHRYN ROBINSON: So are you, then, comfortable with the Government's policy on how we find out, as Australians, when these boats come to our shores, or try to come to our shores – and, indeed, when tragedy strikes? Are you comfortable with this 'culture of secrecy', which it has been labelled, when we're hearing reports from asylum seekers saying they were left floundering at sea for 24 hours, after contacting Australian authorities?

MATHIAS CORMANN: Well, a couple of things here – firstly, because it is so tragic, and because it is so distressing, when people lose their lives at sea, is why we need to do everything we can to stop the boats. Now, in order to stop the boats, obviously, we are running what is a military operation – Operation Sovereign Borders. And of course, it is very important to make sure that that is done in a way that maximises our opportunity to stop the boats. Because as long as the boats keep coming, people, sadly, will continue to lose their lives. Now, in relation to the specific events over the last 48 hours – tragically, I mean, the events occurred in an area that was under Indonesian jurisdiction. And of course, Australia did provide all appropriate assistance. But all of the detail, appropriately, is dealt with by the Minister for Immigration, Scott Morrison, as part of his regular operational briefing, which I understand will occur very soon.

HUGH RIMINTON: So Senator, what kind of military operation is it? What, in fact, 'emergency on our borders', to use Tony Abbott's words just before the election, is it – when the General who has been put in charge has gone immediately on holiday, and with great military speed, we were unable to get to these people – anywhere near them – for 24 hours, after they were signalling their distress?

MATHIAS CORMANN: Well, I mean, I think that you're really going beyond what, sort of, my areas of responsibility are, and I would invite you to make sure that you put all of the questions that you're looking for answers for to Minister Morrison in the context of his regular briefing.

HUGH RIMINTON: I think we'll get that next week.

MATHIAS CORMANN: What I would say though, is, I mean, the reports in the media today that somehow the Australian Government was notified on Thursday morning are incorrect. The first contact that we've had – and Minister Morrison has made that very clear in the statement that he released last night – was on Friday morning. And it was a report that related to an event in the Indonesian search-and-rescue zone. And of course, all of the immediate action that was required was taken, in particular, Australian authorities immediately contacted Indonesian authorities. And of course, there was very close cooperation, as is appropriate in those circumstances, to deal with the unfolding event as quickly as possible.

JACKSON HEWETT: Senator, given the release of the climate change report from the Intergovernmental Panel on Climate Change, saying it's 95% confident that it's happening – there are a lot of climate change sceptics in the Liberal Party and the Coalition – is there a change of view coming through as a result of that?

MATHIAS CORMANN: We've always said that we support the need for effective action on climate change. The problem is that Labor's carbon tax is not effective action on climate change. Labor's carbon tax hurts our economy by pushing up the cost of living, without doing anything to reduce emissions – which is why we are totally committed to scrap the

carbon tax, and instead pursue effective action on climate change, which is our direct action plan.

HUGH RIMINTON: Okay, so with your direct action plan – given the new IPCC report, is there any talk of perhaps extending contingency funding, within the Budget, for extreme weather events that might be linked to climate change?

MATHIAS CORMANN: Well, our commitment is to achieve a 5% emissions reduction target by 2020. That is a bipartisan commitment. We're very confident that we'll be able to achieve that.

HUGH RIMINTON: But that's not the question. The question is – is there need for further contingency funding for extreme weather events, that doesn't relate to direct action?

MATHIAS CORMANN: Well, that is not something we have considered at this point, and that is not something I believe needs to be considered at this point. Obviously, these sorts of issues are worked through from time to time, but right now we are confident that we have the policies in place to deal with the challenges that come from climate change. We've always been very clear, as a Government – and indeed, also in Opposition – that we support effective action on climate change. But what is currently in place, what was put in place by the previous Government, is not that. What was put in place by the previous Government is a set of policies – is a tax – which is hurting our economy, which is hurting families, and pensioners, and we're just not doing anything –

HUGH RIMINTON: Okay, I think the arguments on the carbon tax have been well worked through. If I can ask you, because we're nearly out of time, one other question, which is in your portfolio responsibility. As Finance Minister, you are ultimately responsible for claims that Federal politicians make against expenses. Do you think taxpayers should feel comfortable that \$3,000 was spent by two Coalition frontbenchers – George Brandis, now the Attorney-General, and Barnaby Joyce, the Nationals MP – to go to a mate's wedding?

MATHIAS CORMANN: Well, obviously all claims that are made by politicians, you know, in terms of travel allowance and the like, need to be made within entitlement. I don't know all the facts in relation to the events that were reported this morning. I understand, obviously, that Senator Brandis and Senator Joyce made a judgement at the time that the claims were within entitlement. But I gather that they will be having another look at those things. And, you know, if there is a need for change, those changes will be made.

HUGH RIMINTON: Well, one of the difficulties being, is that if there is found to be something wrong with what's gone on, that would fall to the Attorney-General. The Attorney-General is George Brandis. Surely it's not a reasonable system if someone's being asked to, perhaps, punish themselves?

MATHIAS CORMANN: Well, I think that there are appropriate ways to deal with circumstances like this, but I think we're getting way ahead of ourselves here. You know, clearly, claims that are made by politicians in terms of any type of public allowance need to be made within entitlement. At the time, the judgement was that it was. If there is a change to this, I'm sure that this will be worked through in the appropriate way, in the appropriate process, and if there are conflicts along the way, I'm sure that they will be dealt with in the appropriate way as well.

