



**LEADER OF THE OPPOSITION
THE HON. TONY ABBOTT MHR
FEDERAL MEMBER FOR WARRINGAH**

10 July 2011

**TRANSCRIPT OF THE HON. TONY ABBOTT MHR,
JOINT PRESS CONFERENCE WITH THE HON. JOE HOCKEY MHR,
SHADOW TREASURER AND THE HON. GREG HUNT MHR,
SHADOW MINISTER FOR CLIMATE ACTION, ENVIRONMENT AND
HERITAGE,
PARLIAMENT HOUSE, CANBERRA**

E&OE.....

TONY ABBOTT:

Thanks all of you for being here and I'm going to say a few words, then I'm going to ask Greg to say a few words and then Joe will say a few words and then obviously we will take questions. I suppose the first point to make is to reiterate the Productivity Commission's statement of a few weeks ago that this is a world first. There is no other country anywhere on the face of the earth which is attempting to implement an economy-wide carbon tax or emissions trading scheme. The other point to make at the outset is that while we are proposing to reduce our emissions by five per cent by 2020, the Chinese are forecast to increase theirs by 500 per cent and the Indians are forecast to increase theirs by 350 per cent. So I think it's very important that all of this is put into appropriate international context. Now, what's crystal clear from the Prime Minister's announcement today is that millions of Australians will be worse off even under the Government's own modelling. And even under the Government's own forecasting, we will not actually cut our emissions with this carbon tax/emissions trading scheme. So you've got to ask yourself, what is the point of all of this if millions of Australians are going to be worse off and we are not actually going to cut our emissions? This is a Labor-Green carbon tax and it's going to drive up prices, threaten jobs and do nothing at all for the environment.

I just want to take people through this whole point about people not being better off. The Government boasts that 90 per cent of Australians will receive compensation and that 40 per cent of households will be overcompensated. Well, I think all Australians are capable of translating pollicie speak. What that means is that 10 per cent of households will get absolutely nothing and that 60 per cent of households will either be worse off or it will be line ball. If you go through the Government's own figuring, they say that the impact on prices will cost the average household \$9.90 a week and that the compensation on average will be \$10.10 a week. So even on the Government's own figuring, there is a 20 cent a week margin for error and this is from a Government which is monumentally bad at getting anything at all right.

If you look at the cameos, there are many, many cameos of households and family types that will be worse off but the one that particularly struck me – a single income family on \$65,000 a year, that's to say a single income family on below average weekly earnings with one child under five is worse off and this is on the Government's own figuring and I think we can safely assume that the Government is building the best case

assumptions and scenarios into their own figuring. So, I think what the Government is going to find, having published all of this, is that it suffers the death of a thousand cameos as so many people look at these figures and decide that they're not going to be better off at all. And then of course, there is the fact that this tax is just going to go up and up and up as time goes by. It's going to go up very significantly as a tax, then it's going to go to \$29 a tonne, assuming that the Government can accurately read the state of the international carbon market in four years time, but even on the Government's own figuring it's going to go up to \$29 a tonne and it just goes up and up and up from there.

But, as I said, the really interesting thing for a Government that is anxious to present this as such an incredible environmental challenge is that even on the Government's own figures our emissions are substantially increasing, notwithstanding the carbon tax cum emissions trading scheme. Even with carbon pricing, our emissions are going to go up from 578 million tonnes to 621 million tonnes leaving an abatement task of just over 100 million tonnes which is going to have to be met by purchasing permits from abroad. Now, this is an extraordinary business. Under the Government's own proposals we are going to have to spend or Australian businesses are going to have to spend more than \$3 billion a year purchasing abatements from abroad and we all know the potential for fraud, the potential for scamming. I mean, even the European emissions trading scheme has been riddled with scamming and that's in a culture where administrative probity is held in wide respect, let alone some of the other countries where carbon credits will no doubt be available. But that brings us to another problem and that is the fiscal problem. Now this isn't obvious from the figures that we've seen today because they only cover the current forward estimates, but if up to 50 per cent of these permits can be bought abroad, that is going to have a dramatic impact on the Government's revenue. It won't, however, significantly bring down households' costs. So, in order to compensate households there will have to be just as much money going to households from government but the government won't be getting anything like the revenue that it's expecting. So I think there is a real fiscal hole beyond the forward estimates period under what's been announced today.

So I ask the question - what's the point of all of this? This is a redistribution pretending to be compensation. It's a tax increase pretending to be an environmental policy. It's socialism masquerading as environmentalism. That's what this is. It's very interesting that as part of that as part of the compensation package tax rates actually go up. The 15 per cent tax rate goes up to 19 per cent, the 30 per cent tax rate goes up to 33 per cent. The Government calls this a reform but this is actually the first time since the 1980s that marginal tax rates have been increased. So it's no reform and it's a complete betrayal of the reforming mindset that the last good Labor government, the Hawke/Keating Labor government brought to policy.

So it's a package which is all economic pain for no environmental gain. I think this package is going to compound the trust problem which has dogged the Prime Minister ever since she politically assassinated Kevin Rudd and has dogged the Prime Minister ever since she was deceptive about the carbon tax before the last election. I think this package certainly sets up the next election to be a referendum on the carbon tax and I make this point in closing: she did say six days before the last election "there will be no carbon tax under the government I lead" for a reason. She said it for this reason – that she knows that under any carbon tax regime everyone will pay. And I make the final point, if this is such a good package why won't the Prime Minister fight an election on it? Why won't she fight an election on it soon? And certainly there should be no carbon tax without the people of Australia having their chance to have their say on it.

GREG HUNT:

Thanks very much Tony. I want to make three points briefly. The first is that we do know that electricity prices will go up and up and up. In the first year, electricity will go up by 10 per cent, gas will go up by 9 per cent and the cost of living for an average Australian family by \$515. But what we also know is that you cannot trust this Government on estimating electricity costs because last time they went down the path of estimating electricity costs, Senator Wong told the Senate of Australia during the renewable energy target debates that the renewable energy target would have a 3 per cent impact over 10 years. The New South Wales independent regulator just approved a six per cent impact on electricity prices in one year, a twenty-

fold blow out on the Government's own estimates when it comes to electricity. So the first key point is, you cannot trust the Government on electricity. Electricity bills will hike by ten per cent in the first year but they are set to hike each every year out to 2020. The second point is that the tax itself will go north each and every year. It is a very interesting fact that the Greens went to the election calling for a \$23 a tonne fixed price on carbon and that's exactly what was delivered today. The Greens are also calling for a massive increase in the tax itself and that's exactly what will be delivered tomorrow. And we know this because the modelling on the last page of the Government's modelling paper deals with a 45 per cent increase in the price of the tax between the time the tax comes in and the time the tax transitions to an emissions trading scheme. A 45 per cent increase on the modelling contained within the summary indicators and the material at the end of that modelling document. That means each and every year the tax goes up; a real price of \$29 in 2010 terms or an effective price of \$37 in 2020. That's what we're likely to face on the Government's own figures. And the third point is this – as Tony said the Government's modelling predicts 100 million tonnes of abatement will have to be acquired from overseas in 2020. That was out of a task of 160 million tonnes. So the best part of 60 per cent of emissions reduction won't be achieved by the tax, it will have to come from overseas. Given that the Government has also adopted our direct action fund on cleaning up coal-fired power stations and our direct action fund on capturing carbon in soil, both of the things which they'd rejected, the actual reduction from the tax itself is probably closer to 40 million out of 160 million tonnes. In other words, the tax does nothing of and in itself except punish families, raise revenue and, as Joe will tell you, create a structural deficit for the budget.

JOE HOCKEY:

Thanks very much Tony, Greg. Yes, this locks in a structural deficit into the budget beyond the forward estimates. It is because of the structure of this transaction that the budget is going to inevitably be hard hit well beyond the numbers that the Government has released today. This is more tax. Over the next three years the Government in net terms, that's after tax cuts, the Government is going to collect \$17 billion more. It's expenditure is going to increase by \$21 billion. The interesting thing is they said it would be budget neutral – \$4.3 billion off the budget bottom line, including \$2.7 billion this year. So we are ten days into the financial year and already the Budget this year is \$2.7 billion worse off. We've found it very difficult to identify exactly how many new public servants are going to be employed to deliver this. What we do know is there are six new Commonwealth government bureaucracies and 22 new programmes and funds to be run. I don't know what it is about Labor leaders and banks but the Government is announcing today another bank – this time the Gillard Bank. We successfully killed of the Rudd Bank but the \$10 billion Gillard Bank, which is focused on financing speculative investments is again putting taxpayers' money at risk. The funds themselves will effectively make every business a welfare recipient and if they don't think they are already going to get a fund to cover their business costs, there will have to be a new fund if they are not going to be worse off.

Finally, I just make the point that when we introduced the GST there was a price watch mechanism put in place so that prices did not increase above the GST. There is no price watch mechanism here so that adds further uncertainty to business. It comes down to this. It's going to be costly, it's going to be complex and it's relying heavily on a 'trust me' factor and Australians are going to pay heavily either indirectly or directly. They are going to pay heavily. There is nothing in here for what is an amazingly complex new regulatory system for every business and it's going to have an impact on confidence, it's going to have an impact on sovereign risk.

QUESTION:

Mr Abbott, ultimately there is going to be competition between the two competing climate change policies. Mr Hockey before was talking about speculative investments and there are some people who say that that is precisely what your direct action policy is all about, albeit taxpayers' money from general revenue being pushed into these speculative projects. Given that, can you rule out using international permits as a way to achieve your 5 per cent reduction?

TONY ABBOTT:

We believe that our five per cent reduction is achievable through the direct action fund in accordance with the policy that we released in February of last year. Now I know the Government will quibble and I know the Government will want to say our policy is terrible but our policy, I think, has been pretty resistant to criticism over the last 18 months since we released it.

QUESTION:

International permits, will you seek to buy from overseas?

GREG HUNT:

I can give you a very brief answer. Our five per cent target is to be achieved entirely within Australia, no taxpayers' funds would be spent overseas under the policy we announced.

QUESTION:

Mr Abbott, the Prime Minister says she will be out there wearing out her shoe leather and knocking on all the doors to convince people. What will you be doing?

TONY ABBOTT:

Well I'll be doing much the same thing that I've been doing for the last four months only perhaps with greater intensity. Look, I really hope the Prime Minister will go to motor manufacturing plants, to steel plants, to coal mines, to aluminium works, to cement factories because these are the places where jobs will be in jeopardy as a result of this. It was interesting when the Prime Minister was asked detailed questions today about the jobs impact of this package she dodged the question, and I think that's because she knows the answers are bad answers.

QUESTION:

You're addressing the nation tonight after Ms Gillard. Is it true you contacted Gina Rinehart on Friday to arrange that?

TONY ABBOTT:

False.

QUESTION:

Mr Abbott will you be supporting the Government in the parliament when it comes to legislation for the steel and coal compensation packages?

TONY ABBOTT:

Ashleigh, we're against this. This is a bad tax. It can't be fixed; it has to be fought. We will be opposing all the Government's legislation. If the Government wants to get its legislation through I'm afraid it's going to have to rely on the Greens.

QUESTION:

Mr Abbott, a number of tax changes within the package; some of them are linked to the carbon tax, others aren't. Would you repeal all of the measures that the Government has included or are there some that you would leave in place?

TONY ABBOTT:

Well Dennis, you'll have to wait and see the details of our tax package. I make the point again that I've made before, we will have tax cuts without a carbon tax but the precise details you will have to wait and see. They will be out well before the next election as will be our total fiscal package as well.

QUESTION:

You mentioned that under the modelling emissions would still go up. They will go up less though under the modelling than without a carbon price. Under your scheme where are the incentives for the big polluting industries like coal and steel to themselves pollute less? I know you've got a 5 per cent target using offsets but what is inbuilt in your scheme for them to pollute less over time?

TONY ABBOTT:

Well, I'll ask Greg to add to this but our scheme does require industries not to increase their emissions intensity, although I should point out that over the last 15 years without a carbon tax, without an emissions trading scheme, Australia has reduced its emissions intensity by about 50 per cent as business quite properly has looked to reduce energy usage, to save energy, to recycle and so on.

QUESTION:

But you've made the point that emissions are still going up.

TONY ABBOTT:

Yeah but the point I make is that under our policy there are penalties on people who do increase their emissions intensity because at the very least we don't want them to go beyond business as usual. In terms of things like the coal industry and the steel industry, we would like them to reduce their emissions and there is the prospect of them doing so by applying to the emissions reduction fund; but in the end the important thing is to get emissions down. It doesn't matter whether emissions reduction comes from the steel industry or the coal industry or the agricultural sector or the forestry sector. What matters is that we get our emissions down and we're confident that we can do that under our package.

GREG HUNT:

I'll just make a brief point. Our emissions reduction fund is a very simple proposition. We will purchase the lowest cost abatement wherever it may occur and we'll purchase it on the basis of being the lowest cost, and that means it could be cleaning up a coal mine through cleaning up waste coal mine gas if that's the lowest cost. It could be cleaning up a power station by converting from coal to gas if that's the lowest cost, and what had previously been denounced until this day by the Government has now been adopted. It could be cleaning up landfill gas, it could be capturing carbon in soils, capturing carbon in trees or energy efficiency or helping to improve efficiency in a BlueScope Steel plant. Any of those things, wherever the lowest cost abatement is to be found, we will find it.

QUESTION:

Mr Abbott, big business has lobbied very hard to have access to international carbon markets in part because it makes sure the Australian price doesn't go above the international price and also for the same reason you

just put that it doesn't really matter if the emission abatement happens in one place or another place the point is to reduce emissions. So what will you say to them in terms of your opposition to any offshore purchases?

TONY ABBOTT:

Well look, they're adults, they're free agents in a free country. If an Australian business wants to go and purchase carbon offsets overseas that's entirely its business but we don't propose to have a carbon tax or an emissions trading scheme. Simple as that. We propose to achieve our 5 per cent target by investing significant savings off the Budget in emissions abatement activity here in Australia.

GREG HUNT:

And the only other point on that is we would spend Australian taxpayers' dollars in Australia.

QUESTION:

Mr Abbott, will you still match the tax cuts and the pension increases that you said previously and it's going to cost \$15 billion, where would you find that money in the Budget?

TONY ABBOTT:

I'll ask Joe to add to this in a sec but, look, we believe that pensioners will be better off under the Coalition because there won't be a carbon tax and we're going to give taxpayers a tax cut without a carbon tax. Now, as for the details, you will have the details in good time before the next election.

QUESTION:

But will it match the magnitude of the carbon tax [inaudible]?

TONY ABBOTT:

I'm not going to get into the detail of that. I'm just going to say that pensioners will be better off under the Coalition because there won't be a carbon tax and that there will be a tax cut without a carbon tax under the Coalition.

TONY ABBOTT:

Are there any other questions up this end?

QUESTION:

[inaudible] the carbon price would reach \$29 by 2015. Mr Hunt said it would reach \$37 by 2015, what's the right price?

GREG HUNT:

Twenty nine dollars by 2015 on the Government's paper and then they've got a projection of \$37 when you take into account inflation for 2020. So it's a difference between 2015 and 2020.

QUESTION:

Mr Abbott, Labor people and the Prime Minister were saying last week that once all the details were out they'd be able to counter what they call your scare campaign. Do you feel any less comfortable about the

positions that you've been putting, all of the positions you've been putting in the last few months today than you felt last week?

TONY ABBOTT:

I am extremely confident in the statements that I've been making over the last four months and I think that what is absolutely crystal clear today is that this is a bad tax based on a lie. It's a bad tax based on a lie. It's all economic pain for no environmental gain.

QUESTION:

Are you up for the fight with Gillard now that she's going to go out and do a bit of shoe leather...?

JOE HOCKEY:

We all are.

TONY ABBOTT:

You know, I would revel in that contest and if she wants a real contest let's have an election.

QUESTION:

If I could just ask Mr Hunt, you mentioned the closure of power stations using brown coal. Do you have any idea of how much that may cost taxpayers and obviously you would endorse such a scheme?

GREG HUNT:

We have set out that our scheme would be based on two things. Firstly, not driving up electricity prices and there's no indication in the Government's model today as to whether or not they will guarantee that we'll have no additional impact. Secondly, that it would be about a clean up and transition rather than a closure. So if they are going to close Hazelwood, I think that's important to understand. We have spoken about cleaning up. We left it to the market and we set out the indicative price range in the direct action paper. But it's ultimately going to be a negotiated market price.

QUESTION:

Mr Abbott, just back on the tax cuts issue. Do you feel that, and maybe Mr Hockey might be able to answer this one too, do you think that there's an element of they're attempting to snooker you here in so far as lifting the tax free threshold to 18,000 and then to 19,000? It effectively means that you would be unable to offer these people tax cuts because they're not paying any tax in the first place?

TONY ABBOTT:

Well, I'm just not going to go into precisely how we will offer tax cuts, suffice to say...

QUESTION:

Isn't that the whole point?

TONY ABBOTT:

But the point I make is that we will have a tax cut without a carbon tax. All of these tax cuts and other benefits that the Prime Minister announced today depend upon the revenue from a carbon tax. Now, it's

basically just a money-go-round. It's not a genuine tax cut. It's taking a dollar out of this pocket to put maybe 50 cents back in that pocket. Now, only a mug would think that's a good deal. Now, we don't want those sorts of tax cuts. We want fair dinkum tax cuts which are funded by a genuine reduction in government spending.

QUESTION:

Does that mean you would take the threshold back down to where it is now?

JOE HOCKEY:

Look, can I be perfectly clear here: they're not delivering real tax cuts because they are collecting more revenue. The bottom line is they are charging more tax on business and that means business will pass it on in higher household costs. So...

QUESTION:

[Inaudible]

JOE HOCKEY:

And they are increasing from 15 per cent to 19 per cent and going from 30 to 33 per cent, the first time that we can identify since 1983-84, so virtually in a generation. That's why it is smokescreen. It's not a real tax cut because a real tax cut means that you collect less revenue as a percentage of GDP. In fact, they're collecting substantially more.

QUESTION:

Would you take the rates back to where they are?

JOE HOCKEY:

You will see our policy.

QUESTION:

On those tax thresholds increasing, the Government claims that's just because they are unmasking the four per cent effective LITO which has never been declared before and actually where one goes from 30 to 32 it's actually coming down from a hidden 34 to...

JOE HOCKEY:

Well, Henry actually recommended the abolition of the low income tax offset.

QUESTION:

Do you subscribe to... are they just being honest or do you say this is ballyhoo?

JOE HOCKEY:

Well, we are going to forensically... What did you call it?

QUESTION:

Oh, ballyhoo.

QUESTION:

It's a technical economics term.

QUESTION:

In an accounting sense they're declaring the LITO effect for the first time?

JOE HOCKEY:

We will go through it forensically. But from an incentive perspective, from an incentive perspective what we can see is its reducing the incentive for middle Australia to work harder. That's the bottom line. We used to be able to say that 80 per cent of Australians would pay no more than 30 cents in the dollar in income tax. That's changed.

QUESTION:

Mr Abbott, the Government keeps saying that your direct action plan will cost families about \$750 a year. What will it cost them?

TONY ABBOTT:

Well, it won't cost families anything extra because there will be no increase in prices to consumers and there will be no net increase in tax. So we are going to pay for the \$3.2 billion that Direct Action will cost over the forward estimates period from savings in the budget and we've got a good record at identifying savings in the budget. Joe and Andrew Robb identified some \$50 billion worth of savings over the forward estimates period before the election.

JOE HOCKEY:

And let me remind that \$3.2 billion is less than the black hole that the Government announced in its own budget numbers today.

QUESTION:

Mr Abbott, were you surprised by the modelling we saw today on the household costs? Is it much lower than you expected them to come in at? Do you feel a little bit silly that you've spent the last few months going around to grocery shops and supermarkets warning of food price increases when now we know, according to this modelling, food is only going to up by under a dollar a week on an average basket of about \$200 worth?

TONY ABBOTT:

I don't think that the families of Australia, the forgotten families of Australia, will take much comfort at all out of this. I think what the forgotten families of Australia will conclude is that this is another hit on their cost of living at a time when they just don't need it. I think the average families of Australia will say they need all this stuff like they need a hole in the head. Now, the fact is that the Food and Grocery Council estimated that a \$26 a tonne carbon price would increase the cost of groceries by up to five per cent and what I've done is no more than repeat what has been said by a very reputable representative organisation.

Thank you.

[ends]